

PEOPLE'S BANKS

A Record
of Social and
Economic Success

Henry W. Wolff

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JOHN R. HALL

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By the Same Author.

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PEOPLE'S BANKS

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A RECORD OF SOCIAL AND ECONOMIC
SUCCESS

BY
HENRY W. WOLFF

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TO

THE HON. L. LUZZATTI

Late Italian Minister of the Treasury and Finance

THE FOUNDER OF THE ITALIAN BANCHE POPOLARI

HIS COUNTRY'S BENEFACTOR

THIS VOLUME IS

RESPECTFULLY INSCRIBED

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P R E F A C E

THE subject discussed in the following chapters is new to most English readers. The kind interest with which articles dealing with one portion of it, recently published in the *Economic Review* and the *Agricultural Economist*, have been received, the attention accorded to lectures delivered in various places, and the direct bearing which the matter obviously has upon our present social—that is, at bottom, economical—troubles, encourages me to hope that in some quarters, at any rate, some information upon one of the most signally successful movements of our century may prove not unacceptable.

I desire to record my sincere acknowledgments for information very liberally given, orally and by letter—in some cases at no small sacrifice of time and trouble—to a considerable number of gentlemen connected with the cause of provident action and co-operation, more particularly to the Hon. L. Luzzatti; Herr R. Raiffeisen; M. E. Tisserand, *Conseiller d'État et Directeur de l'Agriculture*, in the French Ministry of Agriculture; Dr von Langsdorff, of Dresden, and other heads of Agricultural

Departments of German States; Dr von Jekelfalussy, Chief of the Statistical Office of Hungary; our Chief Registrar of Friendly Societies; Dr von Keussler, of St Petersburg; Director Cremer, of Neuwied; Professor Concini, of Rome; M. A. Micha, Secretary General of the Federation of Belgian *Banques Populaires*; M. A. Yersin, Director General of the *Schweizerische Volksbank*; M. L. Durand, of Lyons, and the Very Reverend Father de Besse.

H. W. W.

February 1893.

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PEOPLE'S BANKS

A RECORD OF SOCIAL AND ECONOMIC SUCCESS



INTRODUCTION

AT a time when every mind appears busy with schemes of 'social reform,' when every effort, alike of statesmen and of philanthropists, seems bent upon doing something to raise the social status and improve the material condition of the poorer classes, no excuse should be needed for calling attention to an institution which—British, as some of its supporters hold it to be, in its prime origin, but adapted and developed abroad—has in some neighbouring countries proved more helpful than any other in furthering the objects aimed at, but which among ourselves has thus far strangely escaped notice. The problems which at present perplex us are not, we ought to remember, our peculiar monopoly. They call as clamorously for solution elsewhere. In France, in Germany, in Austria, in Italy, in Belgium, as among ourselves, Labour jostles Labour, the rapidly increasing host of those who have to earn their living by toil demand with a voice growing louder and louder a larger share in the rights and comforts of life. There, as here, the

Social Importance of the Subject.

In respect of the Labour Question.

In respect of
the Land Ques-
tion.

Capital and
Labour not ne-
cessarily anta-
gonistic.

The Working-
man 'his own
Capitalist.'

plaintive cry of the destitute, the suffering, the helpless, homeless, foodless—whom the country has brought forth and the country, it is held, ought to sustain—may be heard appealing for relief. There, as here, in one shape or another, whether as a matter of possession or as a problem of providing more ample means wherewith to improve what is already possessed—the troublesome Land Question casts its dark shadow across the scene. It cannot, of course, be argued that other nations have been more successful than ourselves in finally solving the problem with which we are all grappling. But in respect of one or two points, amid a good deal of profitless experiment and actual blundering, some of them seem at any rate to have come nearer to sound remedial action. They have discovered that it is not necessary to assume, as many among ourselves appear to do, that Capital and Labour, whose recurring strife is responsible for one of our main perplexities, are necessarily antagonistic forces, with different interests, different aims, different aspirations—belligerent parties, between whom peace can be established only from time to time, as a matter of terms. In one instance, at least, they have managed to bridge over the dividing gulf and blend the long-opposing interests into one, by making, in the apt words of Schulze-Delitzsch, the working-man 'his own capitalist.' And they have shown that other means are available for adjusting differences arising between various factors of national production than encroachments upon production itself; that it is not an inexorable law of Nature that whatever is given to Labour must be taken from someone else—be it capitalist employer, or be it ratepaying community. Not everywhere is it contended that Labour should be benefited—one might almost use the term 'protected'—by a restriction upon output. Emigration, though necessarily tolerated, is looked upon

by some of our neighbours rather as an evil to be put up with than as a desirable remedy. When employment runs short, the first question asked is, whether it is not possible to provide more, by creating new sources of production. Foreign methods may not be our methods—in some instances they distinctly cannot be. It does not seem likely that the resource which various German Governments have found so useful, of stimulating cottage industries to furnish employment for the hands overflowing from the larger workshops, will recommend itself to ourselves, at any rate at present, amid totally different circumstances. There is more to be said for the modern German practice of multiplying small holdings, *by letting as well as by sale*, which has proved most signally successful, and the results of which might well have been taken into account in our own recent attempt to deal with the same matter. By far the happiest solution yet discovered is that for which our neighbours are beholden to Schulze-Delitzsch, Raiffeisen, the Hon. L. Luzzatti, M. d'Andrimont, and Dr Leone Wollemborg—who have taught them to establish 'People's Banks,' and thereby to create large capitals providing abundant employment without cost to anyone.

One can scarcely help remarking upon the curious coincidence which opened to Europe at exactly the same period, about 1849, two essentially different roads to vast riches. It was while our first emigrants were rushing to the newly-discovered gold fields of California—big with promise, tempting to the eye with the alluring glitter of precious metal—that in a small village in the bleak Westerwald, and in a petty provincial town of that portion of Saxony which Prussia annexed in 1815, the first spade was thrust into a 'gold field' of a very different type, looking at the time bare and barren, but concealing under its unpromising crust a store of wealth,

Want of Em-
ployment met
by Increase of
Production.

Two
Californias.

larger and more beneficent in its effects by far than the gold deposits of the State which the American Confederation had then just finally made their own. Which of the two gold fields has thus far yielded to Society the larger volume of tangible riches, it may be open to question. Which has more enduringly benefited our race—the metal which began by provoking robbery and disorder, and which, along with much good service, forms a standing incentive to greed, envy, and dishonesty ; or the ‘capitalised honesty’ which plants virtues where there have been vices, makes people thrifty, industrious, sober, honest, and enables them to build for whole classes habitations which no financial crisis can wash away—as to the proper answer to that question there can be no doubt whatever.

The Success of
People's Banks

What untold riches these People's Banks have within the forty years of their existence made available for small folk's needs, what millions they have added to the wealth of the countries in which, as M. Rostand has it, they ‘swarm’ (*pullulent*) and in which, as M. Léon Say testifies, they ‘flourish throughout’ ; what vast amount of misery, ruin, loss, privations, they have either averted or removed, penetrating, where they have once gained a footing, into the smallest hovel, and bringing to its beggared occupant employment and the weapons wherewith to start afresh in the battle of life, it would be a difficult task to tell. Propagating themselves by their own merits, they have overspread Germany, Italy, Austria, Switzerland, Belgium. France is trying to graft them upon her own economic system. Russia has in her own rather primitive way followed the excellent example. Even Egypt has, under the rule of its late Khedive Ismail—not otherwise a paragon of forethought and thrift—made the useful institution tentatively its own. And now we hear of its spreading from Italy into far

Their Extension.

Japan—China has got it already—while we in Great Britain scarcely yet know of its existence.

The solution has all the more to recommend it among ourselves, because it is essentially based upon a principle of which this country has long been regarded as the specific home: the principle of self-help. Self-help, it is quite true, has of late gone a little out of fashion. We are taught sometimes to look to other deities to bring us up out of the Egypt of want and distress—Frederick the Great's old friend 'der Racker von Staat,' upon whose broad shoulders the Prussian king begged his contemporaries not to lay too heavy a burden, and those beneficent socialist methods which forty-four years ago, M. Thiers denounced as '*cette grande folie*.' Whatever it be reserved for state-help to accomplish, however, in England self-help is not likely long to want adherents. Unfortunately we have thus far given to this great power only half its practicable application. 'It is self-help,' phonographed, early in 1890, Mr Gladstone to a delighted body of correspondents across the Atlantic, who thought that they had never heard their co-operative principle so neatly and tersely vindicated—'It is self-help which makes the man; and man-making is the aim which the Almighty has everywhere impressed upon Creation. It is thrift by which self-help for the masses, dependent upon labour, is principally made effective. In them thrift is the symbol and the instrument of independence and liberty, indispensable conditions of permanent good.' Yes, that is admirably said, and with the truth of Mr Gladstone's words no one will be disposed to quarrel. That is the interpretation which we have thus far put upon 'self-help'—'save, lay by, economise, make the most of your pence, alike in provident accumulation and in economic outlay'—that is the familiar counsel which for many a year we have

Based upon
Self-Help.

Mr Gladstone
on Thrift.

Self-Help pro-
ductive as well
as preservative.

addressed to our poorer brethren. Going further than counsel, we have given them facilities beyond what are known in other countries, and, to do them justice, they have readily profited by them. Our Savings-Banks, our Provident Societies, our Co-operative Stores, remain unsurpassed in the known world, and secure to us without question the first place among nations in respect of the practice of thrift. But does not all this, after all, represent only one side of self-help? Could not the same power which enables us to garner the ripe fruit be impressed also into service to help us in tilling the soil and producing it? It seems strange that we should never seriously have turned our thoughts to this problem, which for us, one would think, ought to possess no less practical importance than for any of our neighbours. There are so many bits of waste lying unproductive in our economic system which self-help, if it is within its power, might with advantage be called in to cultivate. There is so much labour which cannot be brought to the point at which our orthodox form of self-help begins—the point of being able to save and lay by. And even where there is employment, there is still so much available labour and ability running unprofitably to waste! There is so much skill and opportunity which for want of means can not be turned to full account! We are rich, no doubt. But the daily conflicts between Capital and Labour show that with all its abundance Capital is among us not equal to the demands made upon it; that, rapidly as it has grown, Labour has grown very much faster; and that, for want either of will or of power, it is still relatively far too small for our national needs—too small, at any rate, at the fructifying points. Then is there no means of supplying the want, of creating the capital which is wanting and, where there is admittedly opportunity and working power, of placing also the

material to work upon at the command of the willing workman, to the diminution of poverty and destitution, and the happy increase of the productive power of the nation?

The answer, given in the affirmative, is to be found in 'People's Banks.' To state one instance of what they may do—we well understand the all but hopeless difficulty of dealing with the huge mass of helpless misery which daily, articulately or inarticulately, calls upon us to be relieved. Though our charities flow very unevenly from different purses, in the aggregate no nation in the world gives more largely, nor more readily. For all that, if Gregory the Great is right, it is to be feared that even the most charitable among us are sorry sinners—even in their very charities. For, although they 'offer rightly' enough, they most evidently do not 'distribute' at all as they should (*si recte offeras, non recte divides, peccasti*). Now let us suppose that through this vast, unwieldy mass of distress a line might be carried, separating, not the deserving from the undeserving, but those in whose hands money might be counted upon to fructify, to give them employment and repay itself out of their toil, from those in a different case; and let us suppose that to each and everyone of the former category could as much money be advanced—readily, easily and at a cheap rate—as they think they have employment for. By what a substantial proportion would the tax upon our resources, both of purse and of application, be reduced! Not only would the mass of destitution to be dealt with dwindle very materially, but former victims would at once become effective helpers—tax-payers, it may be employers, givers of charitable support instead of claimants to it. Let us further suppose that, even beyond the limits of actual want and non-employment, all those

The Problem to be solved.

willing workers among us who, like our well-known heroes of self-help, see their opportunity for a great enterprise, who have the ability, but want the means, could go to the same source of supply and there obtain, without the indignity of begging, without having to make a special favour of the loan, what they require—let us assume that the farmer or the allotment-holder could obtain the wherewithal to drain, to manure, to improve his field according to modern principles, the householder the wherewithal to set up and furnish his home cheaply, the small tradesman the means wherewith to stock his shop, the small artisan the funds for carrying out profitable work—whatever the want, whatever the calling might be, suppose that it could be supplied—what a vista of wealth and prosperity beyond the wildest dream of hope, profitable to the individual, profitable to the community, appears to open itself to one's view ! It seems almost like a vision of fairy land, too good even to be thought of !

Well, and can People's Banks accomplish all this ?

Instances of
Success.

The answer is to be found in that vast network of flourishing banks spread out over Germany and Italy, numbering by the thousand, turning homeless labourers into cultivating owners, unemployed journeymen into thriving traders, starving peasants into substantial yeomen, stimulating everywhere, in M. Léon Say's words, commerce, industry, and *la petite culture*, which under their beneficent shelter develop 'with increasing energy' in those neat, prosperous villages, encircled by smiling gardens, orchards, and heavily bearing fields, which spring up, as if by magic, not in the fertile valley of the Rhine only, but in the barren Westerwald, on the erst neglected plains of Lombardy, and in the wild Rhön mountains. It is to be found in the bustling business going on daily in that palace of the *Banca Popolare*

which you may see in the *Via San Paolo* in Milan, where a full hundred of clerks are continually at work, besides about 140 unpaid officials, passing tens of thousands of pounds through their hands every day, £80,000,000 in the year, a stream of gold steadily and rapidly increasing in volume. All that work is done with a clockwork regularity and an exactitude in every detail which could not, says M. Say, be surpassed in London or New York. And all is genuine 'People's' business. Most of the transactions are small—drafts of ten lire (eight shillings) are not at all uncommon. Lira by lira has that magnificent fabric been reared up out of small folk's business—'drop by drop,' says its founder Signor Luzzatti, 'like a stalactite grotto'—till it has grown to be one of the largest banking establishments in all Italy. Yet it adheres faithfully to its specific small work. There are about nine hundred banks of this order, small and great, in Italy, doing between them a full third of the country's banking. In Germany there are thousands. Or, to ascertain the results in a different aspect, you should go out into the country and ask the *braccianti* and the *muratori*, whom you see there building and making roads without a master to control them, where they got the money from which enables them to do the job on their own account, putting the middleman's profits into their own pockets. Or else you should walk into one of those thriving villages in Lombardy, in which Dr Wollemborg has set up his *casse rurali*. A few years ago, thanks to hindrances not unknown among ourselves—the accumulation of landed property in few hands, habitual absenteeism, and, moreover, a rigorous exaction of rents such as, happily, we have no conception of—that district was the usurer's favourite hunting ground, and the poor drudges who cultivated it had not a centesimo to call their own from

week's end to week's end. Now the usurer is gone, and the cultivators are doing well, and laying by. Or, again, you should go into the valley of the Rhine, where the Raiffeisen Banks have been longest at work, and observe to what extent homes have been made habitable and comfortable; how culture has been improved; how machinery has been purchased, and the best manures and feeding stuffs; how the vintner has been enabled to sell his produce for cash at double the old rate of return; how the small peasant can now buy his implements and manures, of the best quality, at the cheapest wholesale prices, and yet—thanks to a large reserve accumulated in his bank, raised up seemingly out of nothing, as if by fairy hands—at six months' credit; you should see how small industry and trade have been developed, how the usurer, once all-powerful, has been driven out of the field, and those once poor men have become small capitalists. One is afraid of falling into a strain of rhapsody in describing all these results. 'I have seen a new world,' broke out, in explicable admiration, the well-known Hungarian deputy, Professor von Dobransky, on seeing this country of newly-created plenty, 'a world of brotherhood; it is a world of brotherly love and mutual help, where everyone is the protector and the assister of his neighbour. An isolated man here finds himself transplanted into the bosom of a community whose resources multiply a hundred-fold the productive power of its labour, and crown it with success.' This seems highflown language. But other visitors, dry, sober political economists, like M. Rostand, M. Fournier de Flaix, and M. Léon Say, speak in exactly the same strain. The late Émile de Laveleye expresses himself with less of rapture but not less of emphasis. The wealth which this new instrument has brought forth, as by a touch of Midas, wants to be seen in order to

be understood. Looking at it, and reckoning over its benefits, one feels indeed as if on economical ground 'a new world had been called into existence to redress the balance of the old.' And 'all these wonders which I have seen,' writes M. Léon Say, 'are the wonders of private initiative and decentralisation. It is private initiative, it is the decentralisation of credit which is the dominating cause of all this progress in wealth. It is co-operation which has created it all (*la mutualité a tout créé*).'

'La mutualité
a tout créé.'

And the tale of our 'wonders' does not end here. 'The moral results,' writes M. Rostand, after his second visit, 'are to my mind superior still to the material.' To apply Signor Wollemborg's apt illustration, the golden sunshine of thrift and co-operation, wherever it has cast its rays, has 'unveiled,' and brought to view in plenty, unlooked-for virtues which had long lain hidden like flowers shrouded by the night. The idle man becomes industrious, the spendthrift thrifty, the drunkard reforms his ways and becomes sober, the tavern-hunter forsakes the inn, the illiterate, though a grandfather, learns to read and write. It sounds like a tale from fairy land. Yet it is all sober fact. We find a Prussian judge officially reporting that litigation, especially in respect of claims for debts, has very sensibly diminished in his district—thanks to the establishment of a co-operative bank. We hear a German priest confessing that the new Loan Bank in his parish has done far more to raise the moral tone of his parishioners than all his ministrations. In Italy we have another parish priest—one among many—Dom Rover, the *curé* of Loreggia, writing only a brief time after the setting up of the co-operative *cassa* in his parish:—

Moral Results
superior to Ec-
onomic.

'People go less to taverns now, and work more and better.

Since only respectable folk are admitted as members of the Association, we have seen habitual drunkards promise never to set foot again in a tavern—and keep their word. We have seen illiterate folk, of fifty years and more, learn to write, in order that they may be able to sign their application for a loan. Poor people, excluded as being in receipt of parish relief, have vigorously exerted themselves to have their names erased from the paupers' list, and instead of living on alms, we now see them living on their labour—thanks to the small capital lent to them by the Association. Poor fellows who could previously scarcely support themselves have been enabled to purchase a cow, out of the milk and cheese of which they repay the debt contracted, keeping the value of the calf as net gain.'

Learned professors and Ministers of State, dry economists, parsons, men of business from all countries—all, in fact, who have had an opportunity of judging by the test of their own eyes of the merits of this new Fortunatus's purse, join in the chorus of laudation. One is not surprised to find foreign Governments steadily encouraging institutions, whose aim, in the words of one of their founders, Schulze-Delitzsch, is 'Peace'; in the words of another, M. d'Andrimont, 'Order and Economy'; while in practice they prove, according to the testimony of M. Léon Say, 'the most effective weapon against the development of Socialism.' But to gauge the value of People's Banks at its fullest, one should go among the people whom they have benefited—the small tradesman, the peasant, the cottager, who has by their help purchased, rod by rod, a little holding which he surveys with pride. One should go, as I have done, and hear these people describe the contrast between erewhile and now, and listen to them telling of their little troubles and embarrassments, and how the bank stepped in to relieve them. If there is one proof more conclusive than any other, as showing the practical utility of these banks, it is the devotion and the gratitude which they evoke from

'Order and Economy.'

those whom they support and who in turn support them.

And, so inquired into, the system seems so simple! Simplicity of the System. Every peasant appears able to understand it. He delights in bringing out the books, in showing them to you and explaining what all the entries mean. He can make the whole organisation clear to you. And, moreover, the business is so safe! 'Not a *sou* has been lost,' declared Its Security. M. Rostand, himself a managing director of a considerable bank in France, on behalf of the Italian *casse rurali*. 'Our losses have been altogether trifling; in the time of economical crises less than those of other banks'—writes to me Professor Concini, on behalf of the *Banche Popolari*. 'Not a *pfennig* has ever been lost, either to creditor or to depositor,' Herr Raiffeisen makes it his boast, after an experience of forty-three years, and speaking on behalf of an union now increased to beyond a thousand associations.

It must seem strange indeed that, with our acknowledged needs, with our means, and our familiarity with banking, we should never before have seriously directed our attention to an institution which with so slight an effort has produced such marvellous results, which goes on spreading its network continually over new districts, meeting with the same success everywhere, going nowhere but to conquer—we, who otherwise are not slow in our appreciation of money and of opportunities for business. It seems doubly strange that we should so long have neglected this modern development of banking, when we are told that it was our Scotch 'cash credit'—which is indeed abroad credited with far more helpful popular work than it has ever had the chance of accomplishing—which first suggested the idea to foreign co-operators. In their earliest days our Co-operative Congresses did indeed nibble a little at the Our past Indifference to the Subject.

subject. Their members had heard of the 'wonders' wrought abroad, and were anxious to reproduce them on British soil. They were not, however, quite clear among themselves as to what they really wanted—whether People's Banks, to help poor folk by loans, or purely co-operative business establishments, to earn banker's profits for their shareholders. And so the inquiry ended in two abortive experiments. A third experiment, on a very humble scale, has been quite lately entered upon at Edinburgh. It is much too soon to say how it is likely to succeed. But, as in its principles of organisation it differs not a little from the establishments of which I am speaking, it need not now seriously enter into consideration. Some years ago—in 1886—our Government made these foreign Banks a subject of consular inquiry. The Blue Book which has resulted from those labours gives them very becoming credit. But, unfortunately, in its information it is—barring the portion dealing with Italy—full of inaccuracies and errors, such as unhappily occur in some of our Blue Books when embodying merely a *relatio relationum*.

In real truth our knowledge on the subject, as a nation, is still little more than a blank. I hope that I have made out my case so far as to shew that there is some ground for endeavouring to fill up that vacant space, and that the People's Banks ought to possess some interest for us. To the fullest extent they carry into practice the admirable maxim on which the Alsatian philanthropist, M. Dollfus, avowedly based the generous and useful work which has helped to make him famous: *Aidez-à-faire*. They do not *give*, but they *help*. They help those to help themselves whom by other means, long experience has proved, we cannot adequately help. If in the following chapters I can but make clear by what

'Aidez-à-faire.'

services and methods the People's Banks accomplish this, how they have grown up abroad in a variety of form which seems to indicate an almost inexhaustible capacity for adapting themselves to every description of circumstances, how wonderfully they have thriven, and what truly astonishing amount of good they have accomplished, more especially among the poor and neglected—the struggling toiler, alike in town and country, the usurer's victim and the exactor's drudge—my tale ought to be worth the telling. But I need scarcely add that I hope to do more; that by the account which I shall give of the 'wonders' accomplished—the work of enrichment, of education, and of a diffusion of sound principles, alike economical and moral, I hope to induce some good philanthropists to make practical trial in our country of that which has succeeded so magnificently abroad.

CHAPTER II

THE GENERAL IDEA

Three different forms of co-operation distinctively developed in England, France, and Germany.

THE bare idea of co-operation in matters of money was not by any means new when the two originators of the co-operative movement in Germany resolved to create for their country a co-operative speciality. It has often puzzled observers to account for the curious division of enterprise which has assigned to each of the leading countries of Europe—England, France, and Germany—one distinct branch of co-operation and led it to develop that one to the neglect of all others. We take the lead, most unquestionably, in Supply, as France does in Production, and Germany in Banking. The explanation is really very simple. Not only has each of the three nations its own peculiar habits and aptitudes; but among each, also, a peculiar kind of want has, quite naturally, made itself felt, which those who suffer under it have by an instinctive effort sought to remedy in an appropriate way. In our country trade was in many of its branches notoriously dishonest when the Rochdale Pioneers, actuated rather by moral than by economic ambition, set their hands to the work of reforming it. There was need, without question, for interference, when sanding, and moistening, and sizeing, and poisoning, had become common practices. Besides, we are a nation of traders; we perfectly understand

the principle of laying down a pound, or five shillings or whatever the sum may be, to enable a Committee, or Board, to secure for us the benefits of wholesale dealing. And it is so easy to cater for us. All our wants run substantially on the same lines. We all feed in the same way, on substantially the same fare, we wear clothes, hats, shoes, all of the same cut and pattern, and in our household requirements everything seems moulded on the same block. Among ourselves, accordingly, co-operation quite as a matter of course took the shape of 'supply.' In France, co-operation was born of the Revolution. Its object was not, to reform trade, but to emancipate the workman. Its first apostle, Buchez, was the inventor of the country's cherished motto: Liberty, Fraternity, Equality! Nothing, accordingly, could be more natural than that the French should turn first to the establishment of common workshops—neglecting the protest of co-operative pedants in Germany, who insist that co-operative production should be taken in hand last, and as a supplement to the other two forms, as being the 'roof of the house.' In truth, co-operative production suits the French character to a nicety, whereas co-operative supply suits it scarcely at all. French workmen excel in detail, and love it; they delight in working together, and understand, better than their brethren among ourselves and in Germany, to subordinate themselves in matters of organisation without surrendering an atom of their sense of equality; they are not sorry to have someone else to do the thinking for them. On the other hand, in matters of supply, their tastes, and their habits, and their fancies run all in different directions. In that province they glory in variety and independence, and love each to *faire da se*. Co-operative supply, accordingly, presents in their case peculiar difficulties. The Germans, when

Schulze-Delitzsch and Raiffeisen began their beneficent work, felt no want so much as that of money. Wars, divisions, foreign interference, internal contentions had bled the country at one time almost 'to whiteness.' For a good many years even that pattern of business-like management, the Bank of Prussia, was known to have been insolvent. Wholesale trade was undeveloped. Everything was, comparatively speaking, small, cramped and crippled—totally unlike what it has grown to be since political union has infused new vigour into the pushing nation. Even now one cannot help remarking the large prevalence in Germany, as compared with this country, of what Sir R. Morier has called 'handicraft'—trade practised by small masters, dependent upon day-to-day custom. Forty years ago things were very much worse. To the penurious housewife, who provided her household with 'flour-soup' for food, and chicory for drink; to the peasant woman who fed her family on potatoes, and manufactured her own substitute for coffee by drying cubes of mangold-wurzel on the big family stove, co-operative supply had no attractions. When, on the other hand, Schulze showed the joiners of Delitzsch and the shoemakers of Eilenburg how by co-operation they might buy their planks and their leather wholesale at a largely reduced price, they grasped the advantages of that at once, and fell in readily with the idea. So did the Westerwald peasants when Raiffeisen showed them how to buy their cattle cheaply by co-operation, and that naturally led to co-operation in money. Born originally of necessity, money co-operation has splendidly justified itself in prosperity. Supply has followed in its wake, as better times called forth new wants. Whether co-operative production will ever secure an abiding foothold amid a people, among whom every individual

worker seems continually intent upon improving his opportunities in order to rise above his fellows, may seem a little doubtful. Thus far attempts in that direction have remained few and modest, although it is understood that Schulze-Delitzsch hoped to crown his work with production as his last triumph.

In its earliest phase, however, money co-operation was by no means a specifically German monopoly, albeit the establishment of co-operative banks, not wholly unlike those of the present day, among the German settlers whom Catherine II invited into Russia, seems to indicate that the Germans had at an early period made the useful principle to some extent their own. But in truth, as there has been co-operation—so M. Micha points out—almost ever since there was a human race, so there has probably been money co-operation ever since there was money. We find traces of this scattered over the records of history of pretty early date. Not to go back to the reign of King Solomon, in which the having ‘all one purse’ does not appear to have stood in particularly good repute, the French *communautes*, a very ancient institution, the Russian *watagas*, and the South Slavonian *droujinas*, must all of them have resorted, incidentally at any rate, to co-operation in money. The Venetian *cassiere* were co-operative banks of a very questionable type, but still they were co-operative, till they cast their co-operative principles to the winds and, like some other whilom ‘co-operative’ banks of more modern days, converted themselves into avowed usury shops. And in China, as we are told in an interesting address delivered by General Tcheng-ki-Tong before the French *Société d’Économie Sociale*, time out of mind there have been well-organised, localised, co-operative banks—long before the German chemist Gall—the same who invented the method of sweetening sour wine by the

Early Instances of Money co-operation.

addition of grape-sugar during the process of fermentation—in the heat of the revolutionary excitement of sixty years ago, conceived the idea of ‘fighting Capital by a combination of the many small purses of Labour.’ In truth, long before Gall was born, the peasants of the Iberian peninsula—beforehand with ourselves in this matter as in the acceptance of ‘the three F’s’ and of the principle of ‘compensation for unexhausted improvements’—had in their simple ingenuity created an organisation which in its primitive way satisfied the demands of co-operation, and really contained in germ all the elements of modern co-operative banking. The Spanish *compañía gallega* and the Portuguese *sociedade familiar*, accordingly, seem far better entitled to rank as the parents of modern credit-banks than either Scotch ‘cash credit,’ or Gall’s revolutionary idea.

Necessity of
Credit.

But it was one thing to grasp the bare idea, and quite another to put that idea into really workable shape. Gall’s crude proposal to fight cash with cash—cash which could bide its time, with cash which might, every penny of it, be called for any day to keep its owner’s body and soul together—erred, of course, wide of the mark. What gives the capitalist his main advantage over the man with no capital, is not his hard cash, but the *credit* which that cash commands, and which multiplies its producing power five- and ten-fold. If, therefore, the poor man was to be made ‘his own capitalist,’ it must be by assuring to him the help of *credit*—the very last thing which in the ordinary state of affairs is accorded to him, but of which, in Signor Viganò’s words, ‘he stands in far greater need than does the rich.’ ‘He has no credit,’ says Giustino Fortunato, ‘because he is destitute; and he continues destitute because he has no credit: and so he moves on hopelessly in the same vicious circle, from which there is no way of escape.’

The question to be answered then came to be: could by some means or other credit be provided for the poor? Fortunately, Credit is, as Professor Laurent rather happily points out, in words quoted with approval by M. d'Andrimont, satisfied with very little. 'Credit,' says the professor, 'is not the creator, but simply the mover of capitals. It multiplies indefinitely their services; it quickens their movement, as the rail quickens the revolution of wheels: it annihilates the obstacle of time, as steam annihilates the obstacle of space; but it does not create. It uncovers, it awakens, it fructifies; it does not invent. It is a marvellous power, without which the economic movement would not exist; but it is not a panacea. Even with enormous effective values it cannot do everything, and with nothing it will never accomplish anything. *However, with next to nothing, and that is the case of the People's Banks, it will effect wonders.*'

Functions of
Credit.

The experience of People's Banks has fully justified this opinion. The *Unions du Crédit*, which are plentiful throughout France, Belgium and Switzerland, place at their members' disposal a substitute for capital exceeding tenfold the amount of their subscriptions. Herr Schulze-Delitzsch, who has long been looked upon as the main pioneer of modern credit co-operation, began his work with very little. It was but like a grain of sand. But in Signor Viganò's words, it gave co-operation the $\pi\omicron\upsilon\ \sigma\tau\omega$, from which the world might be lifted out of its hinges. It was a paltry beginning, one would have thought, to lead up to the present riches and influence, in the possession of which the Schulze-Delitzsch Banks, according to M. Courtois' rather exaggerated estimate, dispense to trade and industry annually somewhere about £180,000,000 in loans. Herr Raiffeisen borrowed £300, which had to be repaid

Credit obtain-
able with very
small Funds.

within a comparatively brief time, to begin his work upon. The one co-operative bank for which he borrowed it, having become untrue to its founder's principles, the other day shared out a reserve alone, the mere overplus resulting from many little transactions, all of them at a low rate of interest, of more than £2,000. Signor Luzzatti started his giant establishment at Milan, which now commands a paid-up capital and reserve exceeding £500,000, with a puny sum of £28. The *Banca Popolare* of Rionero, in Vulture, which in 1880 possessed a paid-up capital of 200,000 lire, and held deposits to the amount of 300,000 lire, was founded seven years before with only 90 lire (£3 12s.) Signor Leone Wollemborg began his banking operations for his *Casse Rurali* with literally nothing at all except credit. And yet these co-operative banks between them have created milliards' worth of property, besides becoming themselves substantial institutions with great wealth, in Professor François' words: '*une véritable puissance financière, dont l'importance économique n'a pas besoin d'être démontrée.*'

Early co-operation in Spain and Portugal.

In 1849, however, all this was experience still to come. In Spain and Portugal, unobserved by English or German co-operators, the poor peasants of the *compañia gallega* and the *sociedade familiar* had in their own elementary way solved the problem of co-operative credit up to a certain point. Their shrewd common-sense had taught them that by converting their family, so to speak, into a joint-stock concern, endowed with continuity and common liability, they would be offering very much better security to the money-lender, and thereby enabling themselves to obtain very much more favourable terms. And on this principle they continued through generations to contract their little loans, unconsciously providing a useful stimulus to thrift and

economy, and attracting into the family home or holding many a *real* which without such inducement would have gone in finery or dissipation. But these men had at any rate something to pledge. Herr Schulze-Delitzsch's problem was, in his own words, 'to procure capitals without a capital of guarantee'—'to find' as M. F. Passy puts it, 'means for giving credit to those who have no security to offer in exchange.' The question to be solved, in fact, was this: could labour be pledged for money? Sir Robert Morier, in an excellent paper contributed to our first Co-operative Congress, held in 1869, answers that question in the affirmative. He says:—'The skilled artizans of a community are as good a subject for a mortgage as the steam mill which supplies it with flour, or the broad acres which furnish the corn for the mill. All that is wanted is some equally safe means of assigning to the creditors a lien on the former as on the latter.' That is the very point. In practice, of course, the problem did not in every case take this extreme shape. For, as in the case of the Iberian peasants, there was often something, at any rate, in the borrower's possession, which might serve as security—a holding, or a house, or some chattels. But these in most instances did not amount to very much; and in the main the problem still remained as Sir Robert had put it, and resolved itself in Signor Luzzatti's words into one of finding 'moral' guarantees, and devising means for 'the capitalisation of honesty,' to serve as a pledge or security.

Sir Robert Morier lays it down that Labour can be pledged for Money.

'The Capitalisation of honesty.'

The work has been accomplished, as will be seen, by a variety of methods. Still, looking at the banks collectively, one may agree with M. Say, who says that, differing in details, in principle they 'all belong to one family.' The family has proved a lucky one; for all its

members have been singularly successful, though successful in different degrees. And even that difference is not without its value. For it teaches us what an essential element of success in this matter is the frank adoption of the principle of self-help. It clearly shows that the more fully and undilutedly banks have accepted that principle, the better, in the long run, have they thriven. All leaning on foreign supports, whatever ostensible gain it may have brought at the moment, has in the end turned out to be nothing but loss, and it has been proved beyond the shadow of a doubt that, in Schulze's words, to become 'his own capitalist,' the working man must be 'the instrument of his own emancipation (*lo strumento stesso della sua redenzione.*)' * 'The only capital (in this application of course) which will endure,' says Professor Laurent, with the approval of Émile de Laveleye, 'is the capital created by the working-man himself. It would be idle to lend to him or to give him the implements for his work. Such gifts, like an inheritance under the touch of a spendthrift heir, would be squandered in little time.'

The Working-Man 'the Instrument of his own emancipation.'

Wastefulness of Charities not based upon Self-Help.

We ought to know that this is so, though we have given little evidence in the past of our having mastered the fact. The record of our benefactions designed to help and raise the working classes is a record, to a great extent, of desires and efforts which do our philanthropists credit, but to the same extent it is also a record of practical failures. Millions upon millions have been thrown away, as uselessly as if they had been cast into the sea, in kindly intended, but injudiciously executed attempts to do good to others according, not to their own, but to our ideas, to give them ruffles when they wanted a shirt, and to give that luxury in a way calcu-

* Not having the German words at hand, I quote them from Signor Ettore Levi's *Manuale*.

lated rather to make the receivers careless, than to make them thrifty. Only a few months ago we had proof of a fresh instance of this given us in the complaint publicly expressed by a nobleman whose philanthropy is above question, and who, possessed of the popular idea that emigration is the *one* remedy needed for our social distress, had liberally purchased at his own cost 'a large tract' of land beyond the sea, on which he had purposed, likewise at his own expense, to settle English emigrants. The men accepted the free passage gladly and, that done, made their way to a more congenial settling ground in the United States, leaving his 'large tract' uninhabited, uncultivated, and unclaimed. It was but natural. The noble lord, instead of acting on the sound maxim attributed by S. Augustine to the Creator—*non dat nisi petenti ne det non capienti*—had pressed upon his beneficiaries what they had not asked for and did not want, and what they considered that they might relinquish without ingratitude. With all his liberality he had failed to call forth the *one* sentiment in the receivers which would have made his gift useful. Thousands of similar instances might probably be quoted, if one cared to ransack the history of our charities. The good-natured people who gave such simply acted on the principle of the well-meaning lady in Sussex, who from her own superior standpoint persuaded herself that she knew very much better than the cottagers what was useful for them, and one day prevailed upon one poor housewife to allow her to lay out her week's money. 'There, Mrs Brown,' she said triumphantly, as she put down the various parcels of coffee, and spices, and currants, etc.; 'I think I have done better for you than you could have done yourself.' 'Oh, thank you, ma'am,' was the reply, 'but—where's the *grist*?'

They give what
is not wanted.

From the very beginning of history there seems to

Instances quoted from History.

The 'Positos.'

have been a peculiar bane of failure attaching, like a Pandora's curse, to those provident or charitable enterprises which did not rest absolutely on self-help. Either they did not reach the right people; or they failed in their effect upon those people, making them unthrifty instead of thrifty; or else the method chosen proved unsuitable, or the safeguards were insufficient; or else, lastly, the funds were misapplied by their own guardians and turned to improper purposes. The very first act of providence of which we read had this last-named fate. No doubt Joseph, the inspired prisoner, intended his Egyptian granaries entirely for the good of the people. But when the opportunity came, the temptation to turn them to account for political purposes proved too strong for Joseph, the no longer inspired Minister. Pretty nearly the same thing happened to granaries of a similar type, which in the sixteenth century King Philip II set up in large number in Spain, and some of which have lived down to our day. Little more than a score of years had those *Positos* been in existence when Philip found that his officers were distributing the good things committed to their keeping for the benefit of the poor, among themselves. In a similar way were the treasures of the *monti frumentari* and *nummari* of Italy, of the *celleiros* of Portugal, and to some extent of the *silos* of Algiers, perverted in later days. New times have discovered new methods for the same old malpractice. Many an association starting, in modern days, on soundly philanthropic or provident lines has, thanks to greedy or partisan management, been wholly diverted from its proper purpose and become either a political instrument or else a usury shop. '*C'est l'avidité des gros bénéfices, c'est la politique,*' writes an Italian statesman (quoted by M. Durand), '*qui ont gâté et dénaturé l'esprit de l'institution.*'

That is one type of abuse. A far more common defect attaching to provident institutions not supported and directed by those for whose benefit they are intended is that which arises from the adoption of methods unsuitable to the end in view. France has a long tale to tell of such injudiciously conceived or else mismanaged enterprises—from that wretched waste of money downward, which in 1848 Thiers branded as ‘*cette grande folie*,’ to the present day. The Emperor Napoleon III tried his hand at such beneficent work. First he created a *Caisse d’Escompte*, endowed with a million of money, of which he himself provided one-half, which was to advance funds more especially to productive co-operative associations. As it turned out, the rules had been so stringently drawn that no borrower could be found willing to comply with them, and the institution died without having done any good. Then the same Emperor started a *Société du Crédit Agricole*, which was more especially intended to benefit rural borrowers. The institution came to these men in such a questionable shape, it looked to their eyes so unfamiliar and suspicious that, timid as they habitually are, they shrank from claiming what was willingly offered, and the *Société*, not knowing what to do with its idle money, invested a large sum (168,000,000 francs) in loans to the Khedive Ismail, which very soon put an end to its existence. The Empress Eugénie fared no better with her *Société des Prêts de l’Enfance*. Gambetta experimented on the same ground with the same ingenuity, but unfortunately also with a similar result. His *Caisse Centrale*, formed with the very best object, soon found itself on the straight road to failure, because it could not attract the one class of customers whom it wanted, and in the end it saved itself only by converting itself from a philanthropic into a business bank.

Unsuccessful
experiments in
France.

Difficulties of
inducing the
Honest Poor to
borrow.

The truth is, it is not by any means easy to attract poor people of the right sort to the lending counter. With an ingrained sense of very honourable delicacy they shrink from accepting what either is, or else appears to be, a gift. There were non-co-operative philanthropic lending banks in many places in Germany before Schulze-Delitzsch and Raiffeisen entered upon their benevolent career. The late Duke of Saxe-Coburg, more especially, had been careful to found some such in his dominions—at Gotha, at Ohrdruff, at Zelle, at Ruhla, and elsewhere. But nowhere did these capitalist establishments accomplish any real good. In Berlin, Dr Crüger tells us, no man 'with any sense of honour in him' would apply to them for a loan. Vagabonds came in plenty, but vagabonds were not to be supplied—though, to the loss of the institution, unfortunately a good many of them were. And when, for want of business, the banks at length closed their doors, though their capital had considerably dwindled by injudicious loans, a large portion of the funds remained unemployed. Such unwillingness on the part of poor people, especially the poor peasantry, to come for loans to persons whom they do not know very familiarly, and by whom they do not know themselves to be known and understood, has been the standing *crux* of the Governments both of France and of Belgium in their endeavours to carry into effect their pet hobby of establishing a form of personal agricultural credit. They tried to do this with the help of the large resources at their disposal respectively in the Bank of France and the State Savings' Bank, and through the medium of local committees—*comptoirs d'escompte* and *comptoirs agricoles*—whose members were selected with as great care as was possible, so as to secure persons acceptable to the local *clientèle*. It proved all in vain. The borrowers would not come. 'If in the

village,' complained the Belgian Minister M. Graux, pouring out his griefs on this subject in the Chamber, 'it becomes known that an inhabitant borrows, people at once begin to suspect that his financial position must be shaken. The trader, on the other hand, glories in his credit; the larger is his credit, the higher stands his repute. The peasant will not borrow till his affairs decline, and then he puts off borrowing as long as he possibly can; he will rather pay a high rate of interest to some avaricious notary, who may be trusted to keep his secret, than frankly apply for a loan where interest is low. Such are the ideas of our *campagnards*. In their view a loan brings with it a stigma of discredit.' This description is true all the world over. The French Government has had much the same experience in its own country. And in Germany, Herr Cremer, Director of the Co-operative Central Bank at Neuwied, tells me that even the Raiffeisen Associations, which are thoroughly popular and self-administered, have in some of their districts found themselves compelled to put forward one or other of their richer members, so to speak, to 'bell-wether' the poor to the lending table. Evidently it is only to lenders of their own place or district, and lenders of their own class, or familiar with its affairs—who may accordingly be fully trusted to understand the position and the objects of the borrower, and to think none the worse of him for his borrowing—that this shy class of customers—as it happens, the only right ones to trust with money—will come.

And if it is only to such that the right borrowers will come, it is only such also, who may be trusted to adapt their methods to the case, and be liberal without being careless as regards security. In the most typical cases already quoted from French economical history there has always been either too much or too little of

Security not
obtainable ex-
cept by Self-
Help.

caution. To what extent official administration can shipwreck even a good fund, is shown by the fate of the *Legs Rampal*, liberally left by a philanthropist for the benefit of co-operative societies. Unfortunately Rampal entrusted the keeping of the fund to a committee to be appointed by the Municipal Council of Paris; and that committee simply strangled the fund with red-tape. Framing its rules with municipal wisdom, it lent to those to whom it ought not to have lent, and did not lend to those to whom it ought, and by this means very effectually frustrated the entire object in view. Even co-operative loan associations, it has become plain, must not step outside the district within which they are genuinely local and co-operative, unless they would miss their effect. The losses sustained by co-operative credit associations in Germany in the course of their operations occur almost without exception amongst such as have attempted to work outside their own district or without a recognised district at all.

Self-Help has
succeeded
where Charity
has failed.

Instances.

It is interesting to note the difference in the fate which has befallen, on the one hand, genuine co-operative loan institutions, supported and officered by those for whose benefit they are intended, and, on the other, loan institutions of a different type, be they official or philanthropic, however well conceived and organised. One case in point is that of Alsace. The German Government found popular credit unprovided for, and at the same time millions of marks, either savings banks' money or else communal funds, lying idle in its tills. With sound judgment, as it appeared, and great thought, it organised popular Advance Banks (*Vorschusskassen*), by which such available moneys were to be lent out to the peasantry and other small folk on very liberal terms. Every precaution was taken; yet the practical effect proved next to *nil*. A few years ago Herr Raiffeisen

planted one of his co-operative Loan Banks on the same ground. Within five years that one multiplied to seventy-three. Last summer, when I visited M. Chevrier, the Chairman of the Provincial Committee, at Saint Hippolyte, there were 126, all thriving, all doing a large business, alike in granting loans, and in taking savings, with every prospect of the number being largely increased before long. Never had grain of seed fallen on more fruitful soil than that on which the official variety had barely germinated. Something very similar has happened in Italy. In 1869 the Italian Government, being anxious, like its neighbours in France and Belgium, to provide small agricultural cultivators with cheap and easy personal credit, by a special law authorised the formation of *banche agricole*, very similar in constitution and practice to the French *comptoirs d'escompte*. In 1882, of the thirty-odd *banche* so established, all but nine had collapsed. Of those nine only two were doing any business to speak of, and that, as it turned out, only owing to special circumstances acting in their favour. One would have thought that in that district surely there could be no demand for credit. Yet, scarcely had Signor Luzzatti's *Banche Popolari* set up their tables on the same seemingly barren soil, but business flowed to them from all sides, and they grew in a few years to most successful establishments. In Berlin, where the late Emperor William's money, granted in 1865, on Prince Bismarck's urgent recommendation, to endow socialist associations of the Lassalle type, proved a hopeless waste, and where those philanthropic loan banks already referred to had to close their doors for want of business; and in Thuringia, where the banks supported by the various small Crowns accomplished very little—the Credit Associations established by Schulze-Delitzsch have found a most ready and favour-

able market. One very striking and characteristic instance comes to me from the Grand Duchy of Saxe Weimar. There, in what not long ago was a forlorn district, something like a rural Seven Dials, stands the forsaken village of Frankenheim—poor, neglected, it was, with tumble-down houses, all of them heavily mortgaged, badly tilled fields, and an uncouth barbarous looking race of inhabitants, rightly or wrongly reputed capable of any misdeeds, and possessing some few famished cattle, nine-tenths of which really belonged to the 'Jews.' In pity the Grand Duchess had some model dwellings set up, erected at comparatively considerable cost, but to be let at a nominal rent of 30s. a year. The success was not particularly encouraging. Some time after, the Lutheran vicar of the parish resolved on trying the effects of a loan bank of the Raiffeisen type. With the help of the money so secured—on these poor people's own collective credit—he built houses, each of which, with the ground upon which it stands, and the garden surrounding it, cost a little under £60. For these houses the occupiers are required to pay $4\frac{1}{2}$ per cent. interest, plus $\frac{1}{15}$ or $\frac{1}{20}$ of the principal each year, by way of sinking fund, therefore in all, according to circumstances, either £5 12s 0d, or £6 12s 0d, in consideration of which the houses become their own after a certain period. All these houses have been readily taken up, the tenants pay their rents regularly, and, thanks to the money brought into the village, the whole face of things has become changed. The dwellings have become decent, the gardens well-kept, the fields well-tilled, the 'Jews' have been paid off, the cattle are well fed, and the human inhabitants are known throughout the country as orderly, well-conducted, industrious, saving and thriving folk.

From all these instances, and more which are on

record—no doubt they might be matched in this country—it seems unmistakeably evident that institutions like those now contemplated, formed to assist poor people with money which is to be well expended, and honestly repaid, to be of any real benefit to the borrower—to promote useful outlay, and thrift, and honesty—must not come to him like little Providences from outside, with a strange face and a condescending air—Providences whose gift costs him nothing, and for aught that he is aware of may cost no one else anything, and may be repeated *ad libitum*—but must be his own creation, raised up, as Signor Luzzatti, the founder of the *Banche Popolari*, puts it, ‘by a heroic levy on his daily wages.’ *If he is to value the gift, he must be his own benefactor; if he is to deal scrupulously with it, he must be its guardian.* The rich man’s dole, coming as from a rich man, is held in comparatively slight estimation, as issuing from a full treasury in which it will not be missed. Hence those ruinous losses by repeated default in the French philanthropic funds founded by the State, or the Emperor, or the Empress. Wherever, on the other hand, the lending institution has presented itself to the borrower as genuinely popular and genuinely co-operative, there has been found to be no more regular and more scrupulous repayer than the small man. Even the French *Crédit Agricole*, which was but moderately ‘popular,’ has not lost a penny by its peasant customers, as M. Josseau honourably testifies. The debtor who wrecked the institution was the Khedive. The peasant may be tardy in his payment, says M. Garreau in *Les Sociétés Co-opératives*; but when his sense of responsibility and honour is aroused he is sure to pay. Similar testimony comes from all quarters. In Germany we have Herr Raiffeisen bearing witness, who has never lost a penny; in Italy Signor Luzzatti; in Portugal

The Poor Man
is the most
scrupulous Re-
payer.

Senhor Costa Goodolphim. In Italy, in the *Casse Rurali*, ministering to the poorest of the poor, literally not a centesimo has been lost. Emigrants send in their debts from America, and when by chance a man is so hopelessly out of pocket, through things going wrong, that he really cannot repay, his fellows with a creditable sense of class honour make up the amount. It is just the same thing in America. What the 'People's Banks' were which flourished in the United States before the Civil War, to revive in later time practically as Building Societies, we do not quite know. There is no precise record left of their operations. Except in New York, where they were made the instrument of reckless speculation, they did well. And evidently they were more of lending societies than are their modern anti-types. For we find the Commissioners appointed by the United States Government to inquire into their practice and success reporting that they have 'demonstrated beyond doubt that, with equal prudence and intelligence on the part of the lender, *loans to the industrious and economical poor are as safe as those made to any class whatever of the rich.*'

Sir R. Morier's
Cardinal Rules

By what methods such 'prudence' should be exercised Sir Robert Morier has very accurately pointed out in his paper already referred to. He mentions as the three main conditions of success, the pillars upon which the credit structure must rest, the following :—(1) Maximum of responsibility; (2) minimum of risk; (3) maximum of publicity. Perhaps the elements of successful organisation might be grouped under other headings, but in substance it would come to the same thing. However, beneath these supporting pillars, experience—ample by this time, alike on one side and on the other, confirmatory or refuting—has made it quite plain that, if the fabric is to stand and to show itself equal to the burden put upon it,

there should lie a foundation which makes the structure entirely popular, familiar to those who are to use it, a thing with which they can identify themselves, therefore co-operative, and in the best sense 'democratic.' 'Avec les banques populaires,' says M. d'Andrimont, explaining the fruitful work which he has accomplished in aid of the poorer classes in Belgium, '*le crédit est démocratisé.*' 'Capital,' he goes on, 'which was previously beyond the reach of workers, has been brought close up to their doors.' Making this principle his own, M. Léon Say affirms the object of People's Banks to be :— '*la démocratisation du crédit.*'

That hits a weak point in our economic system. We pride ourselves, on both sides of the political boundary line, upon our 'popular' institutions, which make us, as we think, the most 'democratic' nation in Europe. Yet in respect of the main supports of the two great divisions of our economic fabric we are distinctly anti-democratic. As the basis of agriculture we have land-laws which, for good or for evil, are, from a democratic point of view, a century at least behind those of other countries. And as the basis of commerce we have credit still almost the monopoly of the rich. We do not, accordingly, know that which, thanks to their People's Banks, the Germans and Italians have well learnt, namely, what an ample and practically inexhaustible resource of productive power there lies hidden in the labour, the frugality, the honesty of the nation's workers, as material for what Signor Luzzatti calls 'capitalisation'—just as people who have not seen rivers like the Danube or the Rhine, could not possibly estimate from the little rills and dribblets which go to make them up, what a vast volume of water may be collected from those insignificant sources. It is the object of the founders of 'People's Banks,' to bring those

'La démocratisation du Crédit.'

In England Credit is still the Monopoly of the Rich.

'Aspirare a
discendere.'

scattered streamlets together, to give them aim and force, and by doing so to make the very atoms which compose them more fruitful, more productive—by the sense of responsibility awakened, the principles of business instilled, the knowledge of dealing with money and an appreciation of its productive power diffused. It is quite true, as Dr Johnson unkindly reminded Goldsmith, that it takes 240 poor men's pence to make one capitalist's sovereign. But once the sovereign is so put together, it is a totally different sovereign from that taken out of the rich man's safe. It has behind it 240 wills, 240 pairs of watchful eyes, 240 thinking brains. It has, so to speak, become an animate sovereign, with prudence, energy, vigilance diffused through all its parts. Every spring, every wire of the composite machine takes a personal interest in the collective doings, watching the other parts, guarding against loss and waste, correcting the slightest irregularity. And the more completely the distribution is carried out, the lower the 'democratising' organism descends, so as to gather up from the lowest strata all available and useful elements, the more fully, we see in the practical application of the principle abroad, does it realise its beneficent aim. Not without reason, accordingly, did the Hon. L. Luzzatti inscribe upon his banner, when he started on what proved to be a triumphal progress of economic success, the apt motto: *Aspirare a discendere*.

CHAPTER III

THE 'CREDIT ASSOCIATIONS' OF SCHULZE-DELITZSCH

THE merit of first putting the idea of co-operative credit-banking into practical shape unquestionably belongs to Germany. Before the two great German apostles of Co-operation, Schulze-Delitzsch and Raiffeisen, began their useful creative work, both about the same time, though quite independently of one another, far apart—the one in the East, the other in the West—in respect of credit co-operation all was Chaos. To the eyes of the world it was Schulze (popularly named, after his birthplace, Schulze-Delitzsch) who first raised order out of confusion, and infused system into the rude mass of half-formed notions. As a matter of fact, Raiffeisen was, in his quiet, unobtrusive way, the first in the field by a very short space of time. It really matters very little, though of course the *furor teutonicus* has seized upon this point eagerly as a pretext for a pitched battle, over which minds have grown curiously heated. Some people will have it that Credit Associations were not Schulze's original creation at all, but that he picked up the idea from an obscure German jeweller, one Biski, who died an officer in the Federal army of the United States. If he did, it matters not a jot. The idea of co-operation for credit was, as has already been shewn, 'in the air' when Schulze's mind was first attracted to

The Germans
the First Credit
co-operators.

Schulze - Delitzsch.

it. Gall had suggested something of the sort in 1830. About the year 1845 one Liedke had organised co-operative savings-banks in Germany, with a view to lending pecuniary assistance, in a very cumbrous way, to co-operative supply associations. About the same time that Schulze took up his apostleship, in 1851, a Moravian, Herr Staudinger, without any knowledge of the work going on in Prussia, established something rather similar to Schulze's 'Credit Associations' in his native town of Klagenfurt. All this can detract nothing from Schulze's merit—even supposing him to have been cognizant of it. It was one thing to have a vague shapeless idea floating in one's mind; it was quite a different thing to give to that idea definite form, to make it workable, and to set it actually at work in thousands of establishments throughout the country. This is what Schulze did; and he did it with the skill and rapid success of a born organiser, to the incalculable benefit of his country. To neutral observers a matter of far greater interest than these hot disputes about rival claims to priority is the fact, that up to the present day the two systems of co-operative credit formulated severally by Herr Schulze and Herr Raiffeisen have remained the two specific types of such credit, the parents of two distinct families of associations, and the models, upon one or other of which all similar institutions have been shaped.

In spite of all its originality and ingenuity, and of all its almost marvellous success, however, time has shewn that Schulze's system—which has been the most freely copied of the two, all over the Continent—is not absolutely faultless. As a matter of course it is the child of the circumstances which brought it forth, and it bears their impress plainly upon its brow.

To Schulze, as to his fellow-labourer Raiffeisen, the

idea of co-operation was first suggested by the miseries brought upon many of his neighbours by that trying dearth and famine which swept across Germany during the years immediately preceding the last Revolution. He was then living in his little native town of Delitzsch, filling a judicial post of the nature of which it is difficult for us in this country to form an accurate idea. German squires were, in those days, by right of purchase or of inheritance, judges still as well as magistrates in their own parishes. Time had been when they discharged their judicial functions in person. But as a tribute to advancing civilisation it had been decreed that for the exercise of their ‘patrimonial jurisdiction’ they must at any rate employ trained lawyers. Schulze was one of these paid ‘patrimonial judges.’* The revolution happily swept this incongruous anachronism away, together with a good deal of other mediæval rubbish, and by such means Schulze came eventually to take his seat on his country’s Bench. But at the time when he first became a co-operator, he still held his earlier and humbler appointment, which brought him into contact with many small folk, and so led him to understand and appreciate their sufferings. To alleviate these, in conjunction with his friend Dr Bernhardt, of Eilenburg, he set on foot, first of all, a sort of provident fund. Next, the two philanthropists organised an institution which has since become exceedingly popular in Germany, a co-operative association for

The First Beginnings of Schulze’s Work

* ‘Patrimonial justice’ appears to be looked upon by some people in Germany in the retrospect as a rather dreadful institution. When from 1863 to 1869 I owned a ‘Ritter-gut’ in Prussian Lusatia, I found it difficult to convince casual visitors that a very solid frame put up by the side of a reservoir, and intended to support a large balance in which every year the fish taken out of some 300 acres of fishponds forming part of my property were weighed for sale, had not originally served as a gallows from which my predecessors in the exercise of their judicial prerogative had suspended their unruly ‘subjects.’ One of those predecessors, I found, had in his time with comparative impunity run one of his ‘subjects’ through the body with his sword, as a punishment for presuming to strike a favourite, but undoubtedly ‘ferocious,’ dog.

the joint purchase of raw material. German co-operators sometimes express astonishment at our not having adopted the same convenient form of co-operation in this country. The reason probably is, that our trade is generally carried on on a larger scale, and that our wholesale dealers have better accommodated themselves to popular wants. But to the joiners of Delitzsch and the shoemakers of Eilenburg the new institution proved a veritable godsend. They took it up readily—their example was followed elsewhere, and to the present day, among a considerable number of associations for the purchase of raw material, co-operative shoemakers' societies continue numerous and flourishing in Germany, more especially in Saxony, Brunswick, and the adjoining districts of Prussia.

The First
'Credit Association,' 1850.

From the co-operative purchase of raw material to other co-operative supply, and from that to the co-operative supply of money, was in each case but a step. Schulze took both, one by one, and the year 1850 saw his first 'Credit Association' established. That association was not in the fullest sense co-operative, and hence its early weakness. It was a capitalist institution, philanthropic and condescending, supplied with funds by members who did not themselves expect to become borrowers. Evidently Schulze was cautiously feeling his way. But he made his bank co-operative at any rate to the extent of insisting that no one should obtain a loan who did not himself become a member of the bank and so pledge himself to regular payments (*ergo*, to savings) up to a certain figure, and, moreover, that the loans granted should be treated, not as a matter of charity or favour, but as a matter of business. There was a notable advance in this upon old methods, though it did not proceed very far. The German apostle of co-operation did not long halt at this half-way station.

While he was away, meeting one of those numerous vexatious prosecutions with which his Government unpleasantly seasoned his career, his friend Dr Bernhardt worked out at Eilenburg a more fully co-operative scheme, upon which he modelled his own local bank. The experiment proved a decided success. As many as 396 members joined, paying in in the very first year 2,242 thalers (£336) in deposits, and so enabling the association, with the help of 3,703 thalers (£555) of borrowed money and its own small capital, to lend out in the twelvemonth 8,801 thalers (£1,320), and to realise a net profit of 142½ thalers (£21 7s 6d), which was considered exceedingly encouraging. Schulze, returning to Delitzsch in 1852, at once recognised the superiority of his friend's system, and forthwith grafted it upon his own hybrid institution, with the result of increasing the number of members from the 30, to which it had fallen, to 150, and raising sufficient funds to enable him to lend out something like 5,000 thalers (£750) in his first year.

Thus was the first stone laid of a fabric which was destined to become a great co-operative stronghold, the first seed planted of a crop which was to overspread the entire Continent. In substance the Schulze-Delitzsch associations are the same still; in the main the original type has been adhered to. It was a bright light which Schulze had set a-burning, and he was not the man to hide it under a bushel. He may be described as a born economic missionary. His striking personality, his convincing eloquence, his invincible faith in his own cause, and his truly contagious enthusiasm made him an almost ideal propagandist. He ‘stumped’ the country with a will, making clear with a remarkable lucidity of exposition to audience after audience the principles of his system, the benefits of its application, the incalculable

Schulze's peculiar Aptitude.

His Triumphs. gain which it must bring alike to individuals and to the community. Thousands flocked to hear him; thousands became converted to his idea. I personally well remember the wonderful effect of his propaganda; for during the time when he gained his most signal triumphs I happened to be in Germany, and in one of his own best working districts. His economic gospel took the country by storm. Everywhere new 'Credit Associations' sprang up—followed in many cases by supply associations—and everywhere they accomplished astonishingly good work. When in 1883 the great German champion of co-operation was called home there are said to have been no less than 4,000 associations of various sorts established in Germany, organised on his rules, comprising something like 1,200,000 members, disposing of capital of their own to the amount of more than £10,000,000 and doing business at the rate—so Herr Schmid of Vienna calculates—of at least a £100,000,000 a year. That is without including a large number of associations formed avowedly on Schulze-Delitzsch lines in adjoining countries. Without doubt Schulze had carried his idea to triumph. M. Courtois pays him the compliment of saying that as an advocate he touches hands on one side with Cobden, on the other with Bastiat; and Commendatore Luzzatti accords him higher praise still, by comparing him, in respect alike of 'grandeur' and of 'simplicity,' to Aristides.

His Difficulties Schulze's path was not at first altogether strewn with roses. He had to fight his way to success by his own efforts. Those were the days when in Germany there was still a common talk of the 'limited understanding of subjects.' The 'first,' and really the only, 'duty of citizens' was declared to be, 'to obey.' Governments must do all the thinking, as well as all the governing.

and the State alone was reputed competent to render help. When therefore this 'democrat'—as he happened to be, and there was at that time a peculiar odium clinging to the profession of Liberalism—presumed not only to think out his own scheme for benefiting his fellow-men, but topped this offence with the arch-heresy of suggesting that men could actually help themselves without the interference of the State, the Manteuffels and Bismarcks felt themselves outraged, and resolved to make the audacious innovator feel the full measure of their wrath. He was an obnoxious person to them to begin with. For, not only did he openly avow himself a Liberal, but, in addition to this, he was a leader of the party aiming at German Unity—which at that time was reckoned next door to high treason. Schulze was, indeed, one of the founders of the much-abused 'Nationalverein,' the patriotic association which did such excellent work in preparing the soil for that crop which, to his glory, Prince Bismarck was destined to gather in, but which forty years ago appeared to every German Prince and Minister (except the Duke of Saxe-Coburg and one or two more) a crop only of rank poisonous weeds. The Government began by worrying (the technical, and quite untranslatable term is '*maassregeln*') the poor man out of his judgeship. When they could not refuse him sick-leave as a judge, they granted it coupled with the condition that he must not, while on furlough, visit his native town. When, knowing this condition to be illegal, he nevertheless proceeded to Delitzsch, where he was received like a hero returning from victory, they promptly announced that a month's allowance would be stopped out of his salary. Indignant at such arbitrary treatment, Schulze threw up his judgeship in disgust, and resolved to devote himself from thenceforth entirely to his philanthropic work

But he had not yet done with 'paternal' Ministers. Every conceivable hindrance was laid in his way, and he found himself politically a proscribed man. When in 1859 he convened his first Co-operative Congress—the most harmless congress, one would think, that could be convened—under the dictation of the Government in Berlin even fair-minded King John of Saxony dared not open his dominions to the supposed traitor, who was accordingly compelled to summon his adherents to that one available refuge, as it then was, for persecuted Germans, the Thuringian duchies. When it was seen that in spite of all this official harassing and badgering, prosecution in the Courts and tabooing in the press, Schulze still kept gaining ground with the people—who were not by such means to be dragooned out of benefits offered, apparent to all and appealing to all—Herr von Bismarck, the unsparing anti-socialist of later days, raised up a Socialist Jannes to withstand him, in the person of Lassalle. This man was systematically petted and caressed, favoured even to the extent of the acceptance of his idea of socialist workshops. At the instance of Herr von Bismarck, who personally introduced the precursors of Bebel and Liebknecht to King William, some experimental *ateliers*, endowed with money from the King's privy purse, were set up at Berlin and carried on a brief time—of course with the result of losing His Majesty every farthing ventured. In 1865 the Prussian Diet appointed a Committee to draw up a law on co-operation. By explicit direction of Herr von Bismarck the one person in the House who knew anything about co-operation was deliberately excluded. And so this harassing and baiting went on. To the end of his career was Schulze, who enriched his country by more milliards than Prince Bismarck conquered for it in 1871—to say nothing of instilling the principles of

thrift—mercilessly worried on his course. And to this day the odium of political partizanship of which Sir E. Malet speaks in his Blue Book—evidently under a false impression—as still attaching to the co-operative movement, is clearly attributable to that long-continued official boycotting.

Of course all this childish persecution entirely missed its mark. Every weal which Prince Bismarck’s sharp whip raised on the body of the popular favourite secured the latter fresh hosts of admirers and converts. There is absolutely nothing to be said in justification of the official badgering. To make it the less excusable it was directed altogether against the wrong point—not the point at which, unfortunately, the system eventually proved vulnerable, but that on which it was absolutely blameless.

Schulze himself has stated the problem which, when forming his first People’s Bank, he set himself to solve, to be: how to obtain the use of borrowed capital without a ‘capital of guarantee.’ Taking this view of his case, it is not surprising that he should have made it his first aim to create the ‘capital of guarantee’ which he found wanting. That really is the pivot upon which his whole system turns. Sir R. Morier, writing as a very warm admirer of Schulze, describes unlimited liability as the ‘keystone of his whole system,’ its indispensable support, ‘just as the principle “all for one and one for all” is the soul and breath of all co-operation.’ He goes on to say that ‘*with* unlimited liability’ the fulfilment of these two conditions: the selection of trustworthy officers, and the acceptance of sound rules, both being known to the public, will ‘suffice to attract the local capital to the market.’ In respect of the latter point Schulze-Delitzsch himself seems to have taken rather a different view; for he designedly

The Martyr’s suffering the Seed of co-operation.

Schulze’s Problem.

Unlimited Liability.

resorted to other means of attraction. And although in his day he insisted quite as strongly as ever Sir Robert could now do upon the absolute necessity of unlimited liability; and although his chosen champion and pupil Dr Crüger writes that 'without the unlimited liability of members it would be almost impossible to do anything, and no money could be obtained,' it is very much to be questioned whether unlimited liability really deserves to be regarded as the indispensable pillar of the system for which it is given out. In Belgium, in Italy, in Hungary, Credit Associations more or less of the Schulze-Delitzsch type have done very well without unlimited liability. Not many years back one of Schulze-Delitzsch's principal followers, Dr Parisius, expressed himself in the authoritative organ of the Associations * to the effect that there is nothing to preclude societies with limited liability from joining the Schulze-Delitzsch Union. And if Signor Ettore Levi, writing almost with the authority of Commendatore Luzzatti, is rightly informed, Schulze himself in his later years was found to be coming round to similar views. (*Lo stesso Schulze . . . abbia negli ultimi anni modificata la sua dottrina. Manuale. p. 245.*) Italian writers will have it that as time has gone on, even in Germany a tendency has become distinctly observable in favour of a change from unlimited liability (which Signor Luzzatti calls 'a German tradition') to limited.

There will be something more to say on the subject of unlimited liability in the next chapter, in connection with a system in which unlimited liability is undoubtedly indispensable, at any rate, in Germany, but in which also it has been disarmed of all its terrors. Outside Germany the constant insistence upon unlimited liability has proved the most serious stumbling-block in the way

* *Blätter für Genossenschaftswesen*. 1886. p. 294.

of a spread of co-operative credit associations. In Germany, at the time when Schulze began his work, no other form of joint liability can be said practically to have been known. Dr Crüger suggests that Schulze-Delitzsch's preference for it may be partly due to his desire to stamp his new creation with a distinctly German feature. That may be. But evidently, even in spite of some serious mishaps, in Germany people have become so much accustomed to this form of guarantee, that in the teeth of all its dangers they prefer it to any other, as assuring advantages not otherwise to be secured. Of 4,401 credit associations furnishing returns for the year ending 31st May, 1892, as many as 4,169 are shown to be based on unlimited liability. And that was after a law had been passed in 1889 which specifically authorises and, in fact, rather invites unlimited liability associations to limit their liability. Even though at that very time a new class of credit associations had sprung up, basing their action upon limited liability, from 1890 to 1891 the number of limited liability credit associations rose only from 41 to 146. That may be taken as indicating with sufficient clearness that, generally speaking, German co-operators are not afraid of the unlimited form of liability. And provided that proper safeguards are observed, under their own circumstances, perhaps they are right.

No, Schulze selected unlimited liability, not because he considered it absolutely indispensable, but because he found it the familiar and accepted German tradition; and, no doubt, it also promised him the most rapid success. 'Where there is a sufficient reserve,' says M. Rosstand—'where there is a supporting central institution,' writes to me Dr von Jekelfalussy—unlimited liability may very well be dispensed with. Schulze's followers themselves seem to suggest that, although for

It is not indispensable.

Compulsory
Savings-Banks.

a *newly-formed* credit association unlimited liability is indispensable, in one which has existed some time, and made good its position, it may be discarded. The real 'keystone of the system' is the compulsion brought to bear upon members to save, regularly and steadily, and by their savings to raise up a 'capital of guarantee,' a capital sufficient to command benefits which are offered, really not as an end in themselves, but as an inducement to members to practise the great economical virtue of thrift. Hence, Schulze-Delitzsch's associations have been popularly called 'Compulsory Savings Banks' (*Zwangssparkassen*). For moral results Schulze looked no higher. He himself and his followers have even sneered at the 'religious' objects kept in view by 'Christian Socialists'—such as Judge Hughes and the late Mr Vansittart Neale in this country, Herr Raiffeisen in Germany, and Father de Besse in France. But thrift they are thoroughly willing to stimulate.

The Schulze-Delitzsch Banks, then, really are not quite appropriately named '*Credit Associations*.' They are *Savings Banks*, employing—in the founder's intention—the facilities for credit which their position assures to them, deliberately as a means of inducing people to save. Throughout, the depositor's, the lender's interest is placed foremost. Saving stands first, credit second.

Schulze's Sys-
tem.

Their scheme, briefly summarised, is this. Every member joining is expected to take up one share. He is wisely not allowed to take more, in order that the association may not be captured by a few greedy capitalists for their own profit. The value of that share is advisedly fixed high. The original figure was, I believe, £30. Of course, that sum need not be paid down at once; rather is it assumed that it will be made up by instalments, which may be very small. This principle necessarily commits the newly-joining member

to a long course of saving, which is just what Schulze desired to bring about. With the help of the capital in course of formation, of savings deposits invited in addition to the accumulating instalments, of other deposits, and of the credit which the small capital and the unlimited liability of a large number of members between them are sure to command, the banks ought to be—and in fact are—in a position to raise all the money which may be required from them in loans. The loaning is done freely, but not very cheaply. As the banks are permitted to engage in all kinds of banking operations, it would be too much to apply to 'Credit Associations' what is said of the Loan Societies in the United States, namely, that the borrower constitutes their 'sole' source of revenue. But he is the *main* source. And as he is willing to pay, both Herr Schulze and M. d'Andrimont maintain (as quoted by Signor E. Levi)—against Signor Luzzatti and Herr Raiffeisen, who plead for kinder consideration—that there is no wrong done in taking from him fairly high interest. The usual charge at the outset varied from 12 to 14 per cent.; now it seems to be generally 8—though ostensibly it is only 6, the additional 2 being tacked on under the guise of a 'commission' of $\frac{1}{2}$ per cent., reckoned for three months. The banks practically ask no questions as to the object of the loan, or the person of the borrower, except that no money is now (since 1889) lent outside the association—however willing the latter is to accept deposits or loans from outsiders. What the associations look to in the matter is *security*, and they allow practically any form of security—mortgages, pledges, sureties, bills. Provided that the security is acceptable, they are willing to grant credit to any amount which appears safe, in the shape either of current accounts or of specific loans. But those loans must be for *short* terms. Schulze has laid it down as a

cardinal rule that a banker can not lend out money for a longer term than that for which he himself has received it. And his followers adhere tenaciously to this principle. So, although of course they cannot in practice carry it out in its extreme stringency, still they enforce it to the extent of making three months the ordinary period, with one renewal, for another three months, permitted, but not favoured. A member, then, can always obtain money for a short term, provided that he has security to offer which seems acceptable to the Committee. That body, upon whom the main burden of administration falls, is elected by the members at their annual general meeting, and, in consideration of the services rendered (in which it is not much interfered with) its members draw a salary, with a commission added, the latter regulated by the amount of business done. One important feature in the system is, that, practically speaking, it recognises no districts. The bank sets up its counter in a convenient centre, and invites all who live within an accessible distance to come and join it. By that means the Schulze-Delitzsch associations have grown comparatively large, and represent, generally speaking, far more substantial numbers than do their rivals. And this, it is pleaded, not only provides greater financial strength, but moreover it saves management expenses.

Its Success.

Whatever be the theoretical merits or demerits of the system, it certainly has secured a very large measure alike of support and of success. In Germany alone the number of Credit Associations adhering to the Schulze-Delitzsch Union in 1892 numbered 1,044. That is a diminution of two in comparison with 1891. The exact amount of their transactions I am not enabled to state, because German statistics on these matters have thus far remained very incomplete and fragmentary. In

Italy every bank is required to send in its return promptly every month. In Germany there has in the past been no compulsion whatever. But in the future, under a law recently come into force, full returns will be collected every twelvemonth, so that it will be possible to trace the success of every bank from year to year. Since, however, the most complete returns hitherto issued are compiled—seemingly with great care—by the head of the Schulze-Delitzsch Union, Dr Schenck, it may be assumed that of the 1,076 co-operative banks (out of a total of 4,401 registered in Germany) furnishing returns for 1892, the overwhelming majority consist of associations of the Schulze-Delitzsch type. The 1,076 associations in question, then, in the year named, gave credit to the extent of 1,561,609,530 marks (£78,080,476),* that is, 1,451,309 marks (£72,561) per association. The 'entire business' is given at 2,612,937,967 marks (£130,646,898)—something less than was done in 1891—for which year 1,058 associations reported business to the amount of 2,774,902,677 marks (£138,745,134.) To accomplish this, these associations borrowed, in all, 439,023,181 marks (£21,951,159)—the larger portion (421,181,174 marks) from private individuals and savings banks, the balance (17,842,007 marks) from public banks. To arrive at the total amount of business done by all the co-operative banks in Germany, (4,401), the figures stated will have to be considerably added to, at the very least, doubled. And, besides the 1,044 returned as formally belonging to the Schulze-Delitzsch Union, there are a large number of banks organised on Schulze-Delitzsch lines, both in Germany and outside. Herr Schmid, of Vienna, in 1886 calculated the entire number of such at 4,500, with 1,500,000

* This includes 'renewals'; probably the figure for new lending may be taken at £60,000,000.

members ; and attributed to them collectively an annual business of £450,000,000—a huge sum. Surely this is a most satisfactory measure of success, and it tells of an almost incalculable amount of good done by the supply of cash for productive purposes. And as for dividend—the result by which many among ourselves, it is to be feared, will be inclined to gauge the success of the undertaking—though some ‘Credit Associations’ have done badly, others have declared 10, 12, 14, up to 20, and even 30 per cent. On an average they have, in a year which was not particularly favourable for business, netted 5·34 per cent. on their working capital, after allowing 53,000 marks for charities, and 1,237,653 marks for losses, the latter averaging only 2·40 marks per member. Looking at this all together, it cannot be pronounced an unsatisfactory result, even though there is a sensible diminution upon 1891.*

Its Defects.

So far so well. But in spite of all that, it cannot be said that the Schulze-Delitzsch associations to the fullest extent realise the ideal of co-operative banks. To begin with, it may fairly be questioned whether they are genuinely co-operative at all—except it be in the sense in which Professor Rabbeno allows even co-operative production to rank as co-operative:—‘*C'est bien une co-opérative, si l'on veut, mais une coopérative qui profite, non à l'acheteur, mais au vendeur.*’ For they are banks founded, not to cheapen an article for public consumption, but to secure a benefit to a limited number of persons trading at other people's expense. One might call them ‘protectively’ co-operative, in contradistinc-

* The figures for 1891 are, as observed, more favourable throughout. 1,072 associations returned a share capital of 117,079,868 marks (£5,853,993), that is, 226·02 marks (£11 6s 0d) per member. The entire transactions amounted to 2,774,902,677 marks (£138,745,134). The entire credit granted figures as 1,641,574,191 marks (£82,078,709); the money raised by loan as 453,826,256 marks (£12,691,313).

tion to something which may justly be called ‘Free Trade’ co-operation. Like the American ‘People’s Banks,’ they do that which in its last report the New Jersey Bureau of Statistics particularly censures, namely: they tax the consumer (that is, the borrower), in order to hand over a handsome dividend to the producer (that is, the lender). The late Professor Held accordingly (writing in the *Arbeiterfreund* in 1873) does not scruple to call them in plain terms ‘simple trading banks’—*Einfache Handelsbanken*. No doubt, even while proceeding on such principles, in the absence of any other readily available loan banks, they confer a considerable benefit upon their customers. But their deliberate aim is, to make that benefit, not as large, but as small, as they can. When Schulze set up his first banks, money—for such occasional wants as he designed to meet—was scarce and dear. We read of fifty and a hundred per cent. as very ordinary rates, and M. Durand mentions a case in which as much as 730 per cent. is said to have been exacted. In comparison with that, twelve or fourteen per cent. must have seemed almost like a gift. And even now many thousands, we see, are thankful to borrow at eight per cent. But after all, this is very imperfect co-operation. Signor Luzzatti candidly expresses regret at the fact that, suffering himself to be guided too much by the advice of ‘practical men’—these must have been Schulze-Delitzsch and his friends—he at the outset organised his banks on the same high-dividend principle. ‘Practical men’ had warned him, that without such precaution he could not make sure of obtaining the money which he wanted. In 1883 he complained: ‘*nous avons trop réussi*’—we have succeeded too well; ‘*il faut modérer les bénéfices des actionnaires*’—we must reduce our dividends. And he goes on: ‘*Aux instituts nouveaux nous*

conseillons de limiter le dividende comme règle statutaire afin que, dès le commencement les débiteurs aient à bénéficier, autant que possible, de tous les avantages que peut présenter l'institution.' M. Elisée Reclus frankly writes to our own Co-operative Congress:— 'Big dividends are a greater danger than heavy losses'—obviously so, because they estrange the institution from its proper purpose. And Father de Besse with as much point stigmatises the inconsistency of the early co-operators, who, like Schulze, took high interest for the sake of dividend: 'that means,' he says, 'attempting to fight usury by practising it.' Commendatore Luzzatti is especially severe in his censure of that insidious device of tacking on $\frac{1}{2}$ per cent. *per quarter*, as if to raise the interest without making the borrower aware of it. He styles it: '*un sottile raffinamento d'usura*'—a subtle refinement of usury; and: '*un modo di eludere la legge all'usura*'—a means of evading the usury law.

If Schulze failed to make his banks altogether a borrower's institution, he did not on the other hand succeed in rendering them quite as useful to lenders, as supplying a stimulus to thrift, as he might have done. On this, as on some other points, not knowing his ground sufficiently well beforehand, he practically fell between two stools. If the object of the institution is, to compel saving, then one would say that the plan practised by the American banks—which is, to take from the member one dollar or fifty cents every month, as the case may be, and hand him nothing back till those deposits have, with the help of banking profits, accumulated (in a much shorter time than would otherwise have been possible) to 200 or to 100 dollars—ought to be the more effective. For that compels the depositor to save for a good long time, and when it gives him

back his money ‘with usury,’ it gives it him in a lump sum, which he is not likely to fritter away, but which, in fact, as a rule he invests as a beginning towards new saving. Schulze’s depositor is compelled to save only up to £10, or £20, or £30, according to the rules of his particular association—in some cases only up to £3.* After that he receives his 12 or 20 per cent. annually, which is very likely to be spent as it comes in. Moreover, there is ground to fear that, while, on the one hand, the depositor has been taught to save, his creditor on the other, will have become accustomed to the pleasure of drawing a large dividend—which, translated into practice, means, what Dr Schneider is found bewailing in the *Blätter für Genossenschaftswesen*, namely, that not a few ‘Credit Associations’ have in the course of time deliberately converted themselves into ordinary joint-stock loan offices, usury shops, for the sake of that profit which they had learned to net in ‘the school of thrift.’ In the kingdom of Saxony alone, according to an official return recently prepared by the Ministry of Justice, out of 115 ‘Credit Associations’ existing on the 1st October 1889, by the 31st January 1891 no fewer than twelve had converted themselves into joint-stock lending banks pure and simple.

If from principle we turn to practice, we find that Schulze, not being a practical banker, has to some extent marred the success of his work by adopting methods which are open to objection. M. Léon Say lays it down, that out and out the best form of credit for banking purposes is purely ‘personal credit’—‘*le crédit tout court sans phrase.*’ ‘*Le crédit sur gage n’a jamais été que l’enfance du crédit. Le crédit public*

* The most common figures for shares now are 300 marks to 500 marks, respectively £15 and £25. Dr Schenck in his last annual report expresses an opinion that 100 marks (£5) is too low.

n'existait pas, quand les rois empruntaient sur leurs reliques ou sur leurs bijoux.' However, in the then state of banking practices so bold a policy was scarcely to be expected from Schulze. Following the custom then generally in vogue, he based his banking in the main upon what is generally called 'security.' That seems, at first glance, to make the loan absolutely safe. But, from a co-operative point of view, it provides no safeguard whatever against mis-employment, and accordingly one can scarcely be surprised at hearing it plainly asserted that not a little credit association money has found its way into the pockets of usurers, for purposes of usury. Writers on the Schulze-Delitzsch side emphatically dispute this. But they cannot possibly tell what has become of the money lent, and in the absence of every check upon employment it would be surprising if usurers had *not* availed themselves of the tempting opportunity of borrowing at 8 per cent. what they can lend out at 50. Pretty nearly the same thing is said to have happened in the United States, where building speculators have taken advantage of the opportunities offered by 'People's Banks' or 'Building Associations' for their own selfish purposes.

To proceed one step further—security being adopted as guarantee, the question next presented itself: *what* security should be taken? Schulze had his market to reckon with, and probably he could not quite estimate in advance what security he might refuse without danger of losing business. Signor Luzzatti in Italy practically limits his lending to bills, and discounts, and current accounts. Schulze was also strongly in favour of bills. But among a large portion of his particular public, practically among all non-commercial folk in Germany, bills have something of a bad name. They are little understood. They are known to be much abused.

And, moreover, the German law with regard to recovery on bills is so severe—'Draconic,' M. Durand calls it—that not without reason has it come to be a little dreaded. In the course of my inquiries into the practice of small agriculture and small trading in Germany undertaken a few years ago, I heard no complaint more frequently expressed than that of small folk being lured into ruin by being persuaded to draw bills-of-exchange, of which they did not understand either the character or the consequences. Therefore, no doubt, in Germany, on behalf of the public, a good deal is to be said against the use of bills. And from a banker's point of view there are specific local dangers as well, since in no country does the abuse of bogus bills—*Kellerwechsel* the Germans call them—seem more rife than in Germany. The practice is so common that we are assured even by judges that the man who forges two signatures in order to pass his bill, scarcely realises that he is doing wrong. Requiring money, he simply complies with what he has been taught to look upon as a purely conventional formality, intending to repay the loan honestly and punctually. Still bills constitute so convenient a form of personal security that one cannot be surprised at finding that in 1892 1,076 reporting Credit Associations had, out of a total of 1,015,301,917 marks (£50,765,091) lent, advanced as much as 910,206,995 marks (£45,510,349) on bills and discounts. Their lending on notes of hand, secured by sureties or pledges, is returned as only 91,396,840 marks (£4,569,842), and last, and worst, there was 13,698,082 marks (£684,904) newly lent out upon mortgages. The entire amount of loans outstanding on what Dr Schenck admits to be, from a credit-banking point of view, a questionable form of security, namely mortgages, was 46,740,481 marks (£2,337,024). Mortgages, of course, are about the

worst security for a credit bank to lend upon, more especially when, like the Schulze-Delitzsch institutions, the bank lays itself out for a practice of *short* loans. They lock up the cash for a long time where it is not recoverable. And as we shall see in a minute, they may involve very much more serious danger.

There are some other drawbacks which may be urged against the methods employed. If the obligation to take up a share, and pay instalments regularly, on pain of a fine or forfeiture, of necessity makes members savers, unfortunately on the other hand it is calculated also to deter poor people, who are not sure of being able to carry out their undertaking—the very people who most need the assistance of the banks—from joining. This has been actually found to be the case in practice. £30 seems a long way off to a man who can only scrape together his sixpence at a time, and he may reasonably be excused for shrinking from committing himself to a process which he doubts his ability of keeping up. The Credit Associations, then, although attracting a fairly popular *clientèle*, and a *clientèle* which is well worth catering for—small tradesmen, clerks, the better class of artisans, also some few servants, postmen and the like *—have not

* According to the returns for 1892, there were, among the members of 1,001 associations, 30·1 per cent. peasants, market gardeners, small cultivators and the like, 3·2 per cent. assistants of cultivators, gardeners, etc., 27·4 per cent. artisans working for their own account, 5·6 per cent. journeymen, factory hands, miners, etc., 8 per cent. shopmen, 2·2 per cent. letter-carriers, railway officials, waiters, etc., 9 per cent. *dienst-männer* (commissionaires), servants and the like, making 70·2 per cent. of what may be called the poorer classes, although the poorest among these appear but very sparingly represented. The percentage of workingmen (skilled) is given by Dr Schenck as 11·9 per cent. Of the remaining 29·8 per cent., 3·1 per cent. were manufacturers, owners of mines, building contractors, etc., 8·5 per cent. merchants and tradesmen, 4·7 per cent. jobbing masters, public house keepers, owners of ships or barges, etc., 6·2 per cent. civil servants, medical men, etc., and 7·3 per cent. persons without a calling. This is materially the same proportion in which the various classes were represented in 1890 and 1891. It may be interesting to note that among 476,270 members returned there are 45,581 of the female sex. The average amount of credits granted is given for 1891 at 3,111 marks (£155) per loan, which bears out what has been already said, namely, that the borrowers cannot be generally of the poorest class.

laid hold upon the very poorest class, those who, according to Signor Viganò, stand in greatest need of credit. And, in the same way, the restriction of their loans to terms of from three to at longest six months makes these banks as good as useless to the agricultural classes. The champions of the Schulze-Delitzsch associations have attempted to deny this, and have gone to some trouble in making out classified lists showing a proportion of 25 per cent. of persons engaged in agriculture in a small number of test associations. That is, for Germany, not a very large proportion, especially as it does not by any means imply that the 25 per cent. are borrowers. M. Durand quotes 18 per cent. as the proportion of agricultural borrowers. He rightly points out that there are many agricultural cultivators to whom from 12 to 20 per cent. of dividend must form a very powerful inducement to invest.

The most serious defect of all, however, with which the Schulze-Delitzsch associations are chargeable, is the loose control which experience has shown that with their *omnium-gatherum* of members, living far apart, they can alone hope to exercise alike over officers and over borrowers, rendered still more loose, as it unfortunately happens, by the inducement to careless lending held out in the commission allowed to officers on the 'business' done. Salaries are bad enough in the case of responsible officers who are elected by vote and have a discretion in the granting of credit. A salary is always

£155 is a pretty high average. For 1887 it was 3,510 marks (£175). For 1892 it is given as 3,035 marks, which is the lowest figure since 1882. The average number of members of 1,076 reporting associations in 1892 is 478, less by 5 than in the preceding year. In respect of size of the associations, the average of 1,072 is given as 483 members. There were only 17 with less than 50 members each, 50 with from 50 to 100, 99 with 100 to 150, 114 with from 150 to 200, 104 with from 200 to 250, and so on. There were but 51 with more than 1,200, and 29 with more than 1,600, 3 with 5,000, and only 1 with 6,000 members.

sure to attract candidates to whom pelf is a consideration. And when that salary has to be secured by votes, where is the security that he who draws it will be absolutely proof against the temptation to propitiate voters by an accommodating exercise of his discretion—for which no personal liability attaches to himself above his fellow-member? Commissions are worse; because in doubtful cases they are apt to turn the scale in favour of a transaction which may mean danger. And in the Schulze-Delitzsch associations these salaries and commissions mount up to something considerable. In 1885, we read that as much as 2,907,475 marks was paid away on a turnover of 24,835,268 marks—something like twelve per cent.

Their Dangers.

In view of all this it can surprise no one to learn that between 1875 and 1886 no less than 36 Schulze-Delitzsch associations were declared bankrupt and 174 more went into liquidation. Some of these cases were serious. The 'crash' which carried off the Association at Düsseldorf in 1878 resembled on a small scale the bursting of the South Sea Bubble. There was a panic, the effects of which have not even yet been wholly effaced. A local painter made the incident the subject of a picture, rather sensationally representing the closing of the bank's doors, with a crowd of ruined depositors and creditors gathered outside in all attitudes of despair. In the Prussian Chamber of Deputies a member, hailing from the city affected, publicly declared that in Rhineland no one dared after this failure avow himself a member of a co-operative Credit Association. There were other serious crashes—in Chemnitz, in Bonn, in Rosswein, in Wrietzen, in Schkeudits, in Allstedt, in Cannstadt, in Dessau. In May 1880 the Deputy Herr Ackermann stated in the Prussian Chamber that in 1879 twenty-four Schulze-Delitzsch associations between

them had lost 7,805,608 marks (close upon £400,000); and in 1880, up to that date, another 1,202,877 (£60,000). There have been other losses and other failures since. (The figures for 1892 are : 9 bankruptcies and 24 liquidations). And there are likely to be more. There is no denying the fact. Dr Schneider himself in the *Arbeiterfreund* confesses to 184 failures out of 1,910 banks. But he pleads that that is not a large proportion; it is ‘only,’ he says, $9\frac{1}{2}$ per cent. Men of business in this country will tell him that that is just $9\frac{1}{2}$ per cent. too much.

And what is the cause of all these collapses? Simply greed and carelessness. Eager for ‘business,’ managers have taken doubtful bills, which have not been met; they have disregarded Schulze’s wise rule, not to lend except to members, and have lent freely to outsiders, till the new law of 1889 forcibly compelled them to desist; and, lastly, they have lent very carelessly upon mortgages, which have proved a source of almost incalculable mischief, because the losses in most cases arose long after the loans had been granted. Some of these mortgage mishaps read just a little ludicrous to persons not affected. At Heilsberg a mill, pledged to a confidence credit bank, was bodily washed away by the river. At Cannstadt a theatre had to be seized by foreclosure. What bank manager in his senses could have advanced money on securities like these! It is all very well for Dr Schneider to rail periodically in his *Blätter* at the prevailing ‘*Vertrauensdusel*’—infatuated confidence, that is. Bank managers are but human. Their object is, to produce good balance sheets. Who put the temptation in their way? Dr Schneider candidly calls unlimited liability, as employed by the Schulze-Delitzsch banks, a ‘dangerous weapon.’* Both Schulze and Dr Schneider

The Causes of Failures.

* Dass die auf unbeschränkter Solidarhaft beruhende Genossenschaft in

liken it to a 'sharp knife' which, rightly used, may be extremely serviceable, but wrongly used must be dangerous. 'Are we to forego the use for fear of the danger?' helplessly asks Dr Schneider. No, but you should not allow the blade quite so free play. The cause of these collapses is not unlimited liability, though that has aggravated the effect. The Raiffeisen associations, the Wollemborg *casse*, the German *landschaften*—those patterns of careful and successful management—all of them have unlimited liability and yet have not been reduced to failure. The mischief is in the system, which, as Dr Schenck admits in his last report, makes 'a careless giving of credit, a loose control, and indifference, and unparalleled fatuity of confidence possible'; in the want of checks, and the premium actually set upon risky management. Those large dividends are exceedingly pleasant while all goes well. But they must needs mean danger; and danger is sure to find out those who deliberately court it.

The fault, of course, lies not in Schulze's conception, which was excellent for the time and circumstances, but in the persistency with which his followers have adhered to his antiquated ideas after experience had exposed their defects. Those followers grow very angry every time they are reminded of shortcomings. Their invariable answer is an appeal to the great Schulze, who cannot be wrong. That is like appealing to the great George Stephenson in favour of working our railways in the present day with old-fashioned 'Rocket' engines. '*Rien ne naît à l'état parfait*,' writes the French economist, M. Maurice Block, in the *Économiste Français*; '*il faut donc perfectionner aussi*

ungeschickten Händen eine sehr gefährliche Waffe sei, die in den minder bemittelten Volksklassen viel Unheil anrichten könne.—*Blätter für Genossenschaftswesen*, 1886, p. 81, ss.

les principes sur lesquels l'organisation des associations de Schulze-Delitzsch repose.' That very fairly states the case. The Schulze-Delitzsch banks have rendered excellent service; they have, more than any similar institution, familiarised the European public with the principles and the advantages of credit co-operation, and have proved a prolific parent of useful offshoots, some a good deal more perfect than the mother-stock. But they have been kept stationary where they should have been improved. As at present constituted, though still highly useful, they fail in that most essential requisite of banks requiring confidence: security. Schulze, when founding them, evidently was not aware to what extent he might count upon capital and the services of competent men for managers, without the temptation of baits, offered in the shape of high dividends, and of salaries and commissions, one-sided benefits, which have really in the long run undermined these institutions. Experience has shown that they were as little needed as were those cog-wheels and deliberately introduced twists adopted on our early railways, as a means of securing 'grip' and 'impetus.' Like these, they have, in fact, proved hindrances instead of helps. The Schulze-Delitzsch banks have received more than one warning which their officers do not appear to have heeded. In the present year they show a small decline, while their rivals have increased greatly in strength. In the interest of co-operation one may indulge a hope that they will now enter upon a reform, before the mischief has spread too far, and has irreparably damaged an institution which, for the sake of the great services which it may still render to the common good, one would scarcely wish to see either swept away or even hopelessly discredited.*

* The following figures will give some idea of the lines on which the

Schulze-Delitzsch credit work is carried on, and of the magnitude of the operations. There were, on 31st March 1892, 1,044 credit associations belonging to the real Schulze-Delitzsch Union, divided into 33 provincial sub-unions comprising besides: 354 supply associations, 55 miscellaneous associations, and 17 joint-stock companies; 1,470 in all. The 1,076 associations sending in reports, made up of the 1,044 Schulze-Delitzsch associations and some others, numbered collectively 514,524 members, that is, on an average, 478 members per association (as compared with 483 in 1891). About half the number have members' rolls ranging from 150 to 350; only 17 have less than 50 members, only 7 more than 3,000. Of 476,250 members, of whom a special census has been taken, 45,581 are shown to have been women:—21,347 women without any occupation, 3,147 traders, 5,226 skilled workers, 8,230 independent cultivators (mostly in Baden, Nassau, Bavaria and Silesia), 194 shop-women. The total paid-up share capital of the 1,076 associations is returned as 114,484,504 marks; the accumulated reserve as 29,474,032 marks, making up a collective capital of 143,958,536 marks, which is 133,790 marks per association (27,343 marks being reserve), 222.50 marks per member. In addition to this working capital, the associations raised 439,023,181 marks by loan, 408,014 marks per association, viz., 421,181,174 marks from private individuals and savings banks (316,962,418 marks being raised for 3 months, 104,218,756 marks for 6 months), and 17,842,007 marks from public banks. This gave the 1,076 associations an entire working capital of 582,981,717 marks. Of every 1,000 marks working capital raised, 196.4 marks stood for paid-up share capital, 50.6 marks for reserve, and 753 marks for borrowed money. The 1,076 associations lent out in all 1,561,610,530 marks, made up as follows: On bills of exchange issued directly to the association 557,316,959 marks; on bills of exchange brought to be discounted 352,890,036 marks, altogether on bills 910,206,995 marks; on current accounts 546,308,613 marks; on notes of hand 91,396,840 marks; on mortgages 13,698,082. This makes 1,451,310 marks per association, which is less by 80,000 marks than in the preceding year, and shows an indebtedness per debtor of 3,035 marks, the lowest figure recorded since 1882. In addition to the 546,308,612 marks of 'active' current accounts, there was a total of 'passive' current accounts (balances due to customers) of 534,093,706 marks, which shows that in practice the one nearly balances the other. These moneys represented the balances of 48,185 drawing accounts. Excluding the current accounts from the calculation, there was a total indebtedness to the banks of 1,015,301,917 marks, distributed over 1,568,424 loans, averaging 647 marks a-piece. The entire business done in the year totalled at 2,612,937,967 marks—2,435,170 marks per association. Of course the figures per association vary; the lowest is 6,000 marks per annum, the highest 105,000,000 marks. The payments for salaries, etc. sum up to 6,250,859 marks: 5,809 marks per association. There were 1,237,653 marks of losses—1,150 marks per association, 2.40 marks per member. The net profits are returned at 8,840,489 marks, of which 6,402,037 marks were distributed in dividends, 1,987,317 marks were carried to reserve, and 398,070 marks were carried forward. Dividends were paid at the rate of from *nil* to 30 per cent., on an average 5.34 per cent. (In the preceding year one association had declared as much as 56½ per cent.). The associations had voted 53,065 marks for educational purposes.

All the figures stated show rather a sensible decrease as compared with 1891. Probably the law passed in 1889, forbidding lending to non-members, and generally enforcing greater caution, is to some extent accountable for this. One gratifying item in the general decrease is the diminution of losses. There may also have been less business generally. And the numbers of associations and of members show a diminution. To some small extent accordingly the Schulze-Delitzsch system is shown to have lost ground in favour of other associations.

CHAPTER IV

THE RAIFFEISEN 'LOAN BANKS'

No two people, setting out for substantially the same goal, could have started from two more distinctly opposite points than did Schulze-Delitzsch and Raiffeisen. Barring unlimited liability and the pursuit of thrift, their two systems have not one single point in common. And even with unlimited liability and thrift they deal each in a different spirit. Schulze-Delitzsch throughout put the *lender's* interest foremost, Raiffeisen the *borrower's*. Schulze aimed at 'business;' Raiffeisen at social benefit. Schulze's is a producers' association, Raiffeisen's a consumers'. The two could not possibly be made to agree in their principles, any more than could Protection and Free Trade.

It is rather a curious tale, the story of the gradual growth of Herr Raiffeisen's co-operative organisation, from its tiny beginning, as a veritable grain of mustard seed, planted on the barren soil of the neglected Westerwald, to its present commanding position, in which (to adhere to the simile) it resembles an 'exceeding great tree,' spreading out its branches over all Germany, and Austria, and Italy, and Hungary, affording shelter to innumerable living beings rejoicing in its shade, with offshoots already penetrating into France and Russia. It is of banks of this type that the economists quoted,

The Origin of
Raiffeisen
'Loan Banks.'

Professor von Dobransky, Émile de Lavaleye, Professor Rabbeno, and M. Léon Say—to mention no more—write in so rapturous a strain about ‘wonders’ and ‘marvels.’ The whole thing may be said to be the result of a bodily infirmity, which brought hardship to one man, but inestimable benefit to more nations than one.

Their Founder. Born in 1818 at Hamm in Westphalia, F. W. Raiffeisen found himself in his youth destined for a military career. He had joined an artillery-corps as ‘aspirant officer,’ but before he could obtain his commission he was compelled by a constitutionual ailment, which impaired his eyesight, to retire from the army. An opening was found for him in the Civil Service, and the year 1845 saw him installed as Burgomaster in the district of Weyersbusch in the bleak forest district of the Westerwald. In due course he was promoted to the Burgomastership of Flammersfeld, likewise in the Westerwald, with an union of twenty-five parishes under him to administer. It was in this position that Raiffeisen had the crushing troubles of the poor peasant cultivators brought vividly before his eyes in the famine years of 1846 and 1847. His was one of the districts which the scourge of those years visited the most severely.* It was a poor country to begin with, with barren soil, scanty means of communication, bleak surroundings, indifferent markets. Nature had proved a very step-mother to this inhospitable bit of territory, upon which the half-starved population—ill-clad, ill-housed, ill-fed, ill-brought up—by hard labour eked out barely enough to keep body and soul together with the support of the scanty produce of their little patches of rye, of buckwheat, or

* Sir E. Malet is entirely wrong in placing Raiffeisen’s first labours ‘in Silesia,’ as he does in his Blue Book Report. Probably our Ambassador had heard of the great distress prevailing among the hand loom-weavers in that province, and was so led into his mistake. Raiffeisen had no connection whatever with Silesia.

potatoes, and the milk and flesh of some half-famished cattle, for the most part ruinously pledged to the 'Jews.' That reference indicates a peculiarly sore point in the rural economy of Western and Southern Germany, which led Raiffeisen to become an economic reformer. In this country we have no idea of the pest of remorseless usury which has fastened like a vampire upon the rural population of those parts. Even the gombeen-man cannot compare with those hardened blood-suckers. The poor peasantry have long lain helpless in their grasp, suffering in mute despair the process of gradual exination. My inquiries into the system of small holdings in those regions have brought me into personal contact with many of the most representative inhabitants—heads of agricultural departments, judges, parsons, peasants. And from one and all — here, there, and everywhere—have I heard the self-same ever-repeated bitter complaint: that the villages are being sucked absolutely dry by the 'Jews.' Usury laws, police regulations, warnings, and monitions have all been tried as a remedy, and tried in vain. There are not a few Christians, by the way, among those 'Jews,' though originally the evil was no doubt specifically Hebraic—not altogether owing to a predilection of those who made a practice of it. They were practically driven into it. Germans do pretty well in the way of anti-Semitism even now. But that is nothing to the outlawry everywhere proclaimed against the obnoxious nation before 1848, when in scarcely any town were they allowed even to trade, except by sheltering themselves behind some friendly Christian, who could be brought to lend them the use of his name. The consequence was, that all the poorer Jews flocked out into the villages, where, being practically debarred from taking up other callings, they fell back with all the peculiar

Prevalence of
Usury; its
harsh practices

aptitude and ingenuity of their race upon the small trade—the trade in cattle, goods, corn, money, whatever it was—of which in many places they secured an absolute monopoly. Of the iniquitous practices to which that monopoly soon gave rise this is not the place to speak at length. Whole volumes have been written on the subject in Germany, after careful inquiry, by men with practical experience, quoting chapter and verse, and painting all the hideous horrors of the system in ghastly detail. Some of the wiles and artifices resorted to seem almost incredible. The ‘Draconic’ laws with regard to bills, and the peculiar regulations applying to foreclosure, the personal liability of the debtor for any balance of debt remaining uncovered by a forced sale, and lastly, the convenient practice of lending out live-stock, as *Einstellvieh* (the French call it *cheptel*), to remain the creditor’s, though fed at the cost of the debtor, materially and terribly facilitate the crafty practice. Plenty of cases are cited in which the poor peasant has been compelled to take the usurer’s lean and dry cow at a high price, in order to feed it up and return it, in exchange for a fresh lean one, when brought into condition and in-calf. It is a current saying that once you are beguiled into trading with one of these Christian or Mosaic ‘Jews,’ you are infallibly lost, as surely as is a fly caught in a spider’s web. You are made to buy from him, to sell to him—all at his own prices. One of the greatest mischiefs practised is that connected with the sale of real estate, which is habitually done by public auction, on condition of the purchaser’s agreeing to pay the purchase-money by a number of instalments. In one aspect, that is an admirable practice for both parties—being small, cultivating folk. To the vendor it raises the price; the purchaser it enables practically to pay for his purchase out of its own proceeds. Only, it

has this drawback. The vendor may want his money. And as, under the old state of things, in nine cases out of ten he sold his *Verkaufsprotocolle* (his bonds for payment of future instalments) to a 'Jew,' in the event of every payment not being met to the day, the purchaser found himself at the Jew's mercy. Thousands of families, I am assured, have been ruined in this way.

Under this oppressive system, in 1846 and 1847 the 'Jews' were 'making hay.' Among the poor peasantry the distress was great. And the peasants' distress was the 'Jews'' opportunity. Every little wattle cottage and tumble-down house was mortgaged; most of the peasants' cattle belonged to the 'Jews;' there was little employment on the roads, or in the forests—the sole available means for eking out a few additional shillings; the poor land yielded but a bare pittance; and famine and ruin stared the poor inhabitants in the face. There was no one to turn to for help but the 'Jews.' The whole district, accordingly, was converted into a usurers' hell. Naturally, Herr Raiffeisen's heart was touched at the sight of so much misery. And when, in 1848, he was removed to a rather larger, but equally distressed district, in the same Westerwald, he promptly resolved to take up the cudgels for the poor oppressed peasants, and declare relentless war against the plague of usury. He set to work at once. His first raising of funds was by no means the easy process which Sir E. Malet's account in the Blue Book seems to suggest. But some small funds he managed to scrape together, and with their help he forthwith established a co-operative bakery. Co-operative bakeries have since become a popular and familiar institution on the Continent, and as a rule they pay. This one at Flammersfeld proved on its small scale a signal success, for it enabled the peasantry to purchase their bread at just half the current price. The next

The Distress of 1846 and 1847 suggests remedial action.

A co-operative Bakery.

Co-operative
Purchase of
Cattle.

step taken was the formation of a co-operative cattle-purchase association. That, likewise, has become a familiar feature abroad. In the Swiss Canton of Thurgau few people purchase their cattle by other means. This move attacked the 'Jews' in one of their strongest outworks, and reduced their mastery at a vital point. But still they held their bonds and mortgages for money debts. Herr Raiffeisen now put his scaling ladder to the very citadel. With a balance of the £300 which, in all, he had succeeded in raising with a good deal of trouble, in 1849 he set up his first 'Loan Bank,' and offered the peasantry, who would subscribe to his rules, to supply them with money for their needs.

The First
'Loan Bank.

A Small Be-
ginning.

In the retrospect it seems a small undertaking. It was in that very year, possibly in that very month, that on the banks of the Seine Proudhon with a noisy flourish of trumpets opened his own far more pretentious 'People's Bank,' which was, as he thought, to regenerate France. One can scarcely help remarking upon the striking contrast between that splendid enterprise, flush of funds, big with promise, hopefully watched by thousands of expectant Frenchmen—and yet doomed to end in nothing but smoke in less than two brief months; and on the other hand the modest little bank, scarcely daring to shew its face, with barely a few hundred pounds of borrowed capital, unheard of outside its own small parish, and yet destined to grow up a flourishing institution, distributing millions through its thousands of channels, and establishing plenty everywhere where it set foot—proceeding merrily on its triumphal march long after its early rival had been forgotten, except as a curiosity in the reading of political economists. That little bank, to which no one has ever contributed a penny in share capital, which has lived by lending money as cheaply as it possibly could, and finding means for borrowing still

more cheaply, having forsaken its founder's co-operative principles, the other day divided its reserve, the product of tiny surpluses arising from petty transactions among its members, and discovered that that reserve had grown to more than £2,000.

The Flammersfeld Loan Bank did its work well. The 'Jews' found themselves compelled to relax their grasp, and the peasants were given a new lease of life. Like Schulze-Delitzsch, Raiffeisen had carried his idea to practical triumph, which it only remained for him to extend. As an advocate of his cause he was as unlike his rival as could be. Modest, unassuming, content to do his work in his own limited sphere, he attempted no advertising and no noisy propaganda. If his work was good and useful, he trusted that it would prove its own best advocate. The result has amply justified his confidence. His system at first sped very slowly. It was five years (1854) before a second bank was formed—and of that Raiffeisen was again the founder, on his removal, once more as Burgomaster, to the district of Heddesdorf, close to Neuwied. Not till 1862 was a third established, not till 1868 a fourth. Really not till 1874 did the Loan Banks become at all widely known, and not till 1880 did they begin to multiply perceptibly. From that time forward, however, they spread with astonishing rapidity. By 1885 their number had, in Germany alone, grown to 245, by 1888 to 423, by 1889 to 610, and by 1891 to 885. Wherever they went, as Laveleye says, they succeeded and made themselves general favourites. Governments now encourage them, provincial Diets ask for them, priests and ministers pronounce their blessings upon them, the peasantry love them. When in 1888 it was announced that Herr Raiffeisen had breathed his last, half Germany mourned over her benefactor by the name by which he is still fondly remembered, that of 'Father

Triumph of the
Movement.

Raiffeisen.' There are now more than 1,000 Raiffeisen Banks in Germany alone. Including the banks which have seceded from the 'Union' on subordinate points, there are about twice that number, and not a day passes without notices coming in of the establishment of one, two—as many as five. Dr Schenck in his last annual report candidly owns that the largest increase recorded in the returns belongs to them. Both their spread and their reputation seem deserved, especially since, after forty-three years' experience, they can make it their boast that by them *neither member nor creditor has ever lost a penny.*

Never a Penny
lost.

Raiffeisen's
Aim.

It is rather difficult to compare Herr Raiffeisen's banks with those of Schulze-Delitzsch. Both have grown up amid essentially different surroundings, in different spheres of action, with different tasks. The Raiffeisen Banks are, in the late Felice Mangili's words, an anomaly, but an anomaly which is justified by its circumstances and its results. Schulze worked in a town, among townsmen, and for the benefit of townsmen, not of the poorest class. His banks could not benefit the very poor. And as little could they benefit agricultural cultivators, for whose requirements long credit is absolutely indispensable—as everybody writing on the subject, including Schulze-Delitzsch himself, has acknowledged. Herr Raiffeisen's specific object was, to benefit both the classes left out in the cold, and to benefit them in the most effective way. So he came to the conclusion that he must exact nothing from members joining, and that he must make long credit the rule. Calling upon a poor man, who deliberately joined in order to borrow, to pay down money, would to his mind have amounted to sheer mockery. His very reasonable principle was this: to make a loan at all serviceable to a poor or embarrassed man, it must be made to repay

itself; to tax other resources for re-payment would be, not to help, but to cripple the borrower. He might want the money for buying manure, or seed, or feeding stuffs. In that case he could scarcely be expected to repay it before a twelvemonth. He might want it to improve his herd of live stock, or to build a barn, or sink a well, or else drain a field. In such cases he must be given credit for two years, for five, or ten, or even more.

In brief outline the system upon which the Raiffeisen, The Raiffeisen System. Banks are based, is this. Herr Raiffeisen begins by confining each association to one particular district—a parish by preference, but if one parish be too small (he does not favour districts with less than 400 inhabitants), and if the matter can be conveniently arranged, an union of two or three. Within these territorial limits members are elected, on application, with great care and discrimination, by those who have already joined. The object is not, to secure a large roll of members, but rigidly to exclude everyone who is not really eligible. That done, the association is organised on entirely democratic lines. No difference of any sort is recognised between poor and rich, except that the rich, bearing the brunt of the liability, are by accepted understanding allowed also to take the leading part in the administration. Both on the Committee—in every case consisting of five, and charged with all the executive work—and on the Council of Supervision—consisting, according to the size of the district, of from six to nine members, and entrusted with checking and supervising the Committee, overhauling all that it has done at least once a month—it is understood that the richer members (without a sprinkling of whom Herr Raiffeisen would have no association formed) should be in a majority. Neither members of the Committee nor members of the Council of Supervision are allowed to draw a farthing of remuneration,

be it in the shape of salary or in that of commission. Every chink and crevice is deliberately closed against the intrusion of a spirit of cupidity or greed, so as to make caution and security of necessity the guiding principles of action. There can be no temptation whatever for an unpaid officer, who is substantially more responsible than his fellows, to abuse his power, whether for the sake of votes or of 'business.' One man only is paid, namely, the cashier; and he has no say whatever in the employment and distribution of the money, being but an executive agent. To make quite sure of everything being kept safe and square, the Central Office employ a body of 'revisors' perpetually travelling from association to association, examining books, and inspecting accounts, and overhauling the whole business of every association, at least once in two years. Furthermore all 'banking,' in the ordinary sense of the term, is strictly forbidden. The associations are *loan* associations, and the sole instrument which they employ is credit. Banking profits are very acceptable in their way, but they must mean risk. And risk is the one thing which the Raiffeisen associations set themselves to avoid. There are no bills, no mortgages, no pledges. '*Ce qui me plait dans les banques populaires agraires, c'est qu'elles font du crédit personnel,*' says M. Léon Say. And they supply that personal credit only by borrowing, and borrowing on the credit of the association. As the rules were originally framed, no member was asked to pay down anything on joining, either for shares or in entrance fees. Prince Bismarck, while Chancellor, overruled this regulation, and ordered that there shall be shares. The Raiffeisen associations have met this dictation by making their own shares as small as possible, generally 10 or 12 marks, payable by instalments. Herr Raiffeisen advisedly would have no

dividend, because there is to be no direct profit. Prince Bismarck again overruled him, but the members of the 'Loan Banks' have voted all their dividend away, once for all, to two different reserve funds, keeping back only sixpence a head, which goes in subscription for the official publication of the associations, in which the balance sheet of every bank *has to be published*. All through, it is one of the essential features of the organisation, individuals are to derive no benefit except the privilege of borrowing, and every farthing which is left over out of transactions is rigorously claimed for the reserve. That reserve is, in fact, the back-bone of the whole system. Little by little only it keeps increasing, but with 'mony littles making a muckle,' it is bound to grow up in course of time to an impregnable rock of financial solvency. Its first object is, to meet deficiencies or losses for which only with hardship could individual members be made responsible. Its next, of course, is to supply the place of borrowed capital, and so make borrowing cheaper to members. Lastly, should it outgrow the measure of such employment, it may, at the discretion of the society, be applied to some public work of common utility benefiting the district. Not even in the event of the association being dissolved is any sharing-out permitted. In that case the money has to be handed over to some public institution to be kept on trust until required for the endowment of a new association formed in the same district, and under the same rules. Or, that failing within a reasonable time, the reserve may be employed for some useful local public work. Thus the whole fabric is built up on the lines of pure co-operation, of safety, caution and stability. This same principle is applied also to the practice of lending. Loan association though the association is, for safety's sake, it deliberately makes borrowing, not easy, but

Importance of
the Reserve.

Safeguards.

difficult. Indeed, the whole machinery is so framed as to *check* borrowing rather than encourage it. Money is, indeed, to be found for everyone who needs it, whatever be the sum; but in every instance he must first make out his case, and prove alike that he is trustworthy and that his enterprise is economically justified. There is nothing which the associations more determinedly set their faces against than mere improvident borrowing, stopping up one hole by making another. If an applicant make out his case, be he ever so poor, the money will be placed at his disposal. Without such proof, be he ever so rich, the money is sure to be refused. And once the money is granted, to the specific object for which it was asked must it be conscientiously applied. It is just for the purpose of enforcing this that the smallness of the districts adopted by Herr Raiffeisen is found particularly useful. In a small district everybody as a matter of course knows everything about everybody else, and is a constant check upon him. A man could not misapply his loan money without his neighbours being made aware of it. And once every three months the Council of Supervision meet for the special object of reviewing the position of debtors and their sureties, and considering the employment given to the loan money. Should a surety be found to have seriously deteriorated in solvency or in trustworthiness, a better surety is at once called for in the interests of the association. And should that demand not be complied with, or should the debtor be found to have misapplied the money, under a special clause which several other loan institutions—more particularly public savings banks and the newly-formed land banks under the Prussian Small Holdings Act—have likewise grafted upon their rules, the loan is at once called in, at four weeks' notice. This may seem harsh dealing. But it

is absolutely necessary for the security of the association. And in practice it has not been found to work at all harshly. Those who apply it are the debtor's own friends and neighbours, who are sure not to have recourse to their *ultima ratio* except in cases of positive necessity. As a matter of fact, it has scarcely been resorted to at all—which just shows its value as a birch-rod on the mantelpiece. In another respect the banks are—wisely—inexorable. Alike interest and principal, they insist, must be paid in to the very day. The principal is, for all loans running any length of time, made repayable by equal instalments; and on any point rather will the association give way than on that of prompt and punctual repayment. Not only does this arrangement materially facilitate the carrying on of the business, but it is far more valuable still as training the borrowing folk to habits of punctuality. Our country folk—says M. Garreau, a man of some experience, in agreement with many other writers—are capital repayers, but without training they have absolutely no idea of the lapse of time. The service, then, which these associations render by instilling into them both business habits and the sense of a duty to meet engagements promptly, is very considerable.

It has already been said that neither mortgages nor pledges are taken as security for loans, except it be as collateral security in very few special cases. Nor yet bills, as being liable to abuse in the hands of small folk. The lending being advisedly on *character*, all that is asked for is a note of hand, unbacked, or else backed by one, or most generally two sureties, according to the circumstances of the case. That, of course, precludes all raising of money by passing on bills. Every farthing that is wanted, so far as it is not supplied by the savings or other deposits paid into the banks, has to be raised by borrow-

Lending on
'Character.

Security of the
Banks.

ing. At the outset that may appear a rather cumbrous proceeding. But what with a high reputation secured by exemplary business habits, and the substantial guarantee of unlimited liability of all members, the banks have long since gained for themselves a position commanding such very easy credit, that they have no difficulty whatever in borrowing all that they want, be it from public banks, or from private individuals, at the cheapest market rates. Confidence in their security is so well established that (as appears on official evidence from a report published at the instance of the late Emperor in 1875) in Rhineland Law Courts actually allow trust moneys to be paid to them on deposit; and in those two critical epochs of crucial testing of German credit, the years of the two great wars, 1866 and 1870—when deposits were withdrawn wholesale from other banks and when even diplomatists like Sir R. Morier found it difficult (so he himself reports) to supply themselves with money—deposits were actually *pressed* upon the Raiffeisen Banks, for safe keeping, though it should be without any interest at all.* In truth, the savings banks' deposits alone go a long way. In some banks they actually supply all the local demand. People like having their own local savings bank, in which not only is a very fair interest allowed ($3\frac{1}{3}$ to $3\frac{1}{2}$ per cent.), but arrangements are generally made to suit local requirements. Penny savings-cards have long since found a very useful place in this system. Beyond the savings bank payments, there are also deposits received for a fixed period, at from $3\frac{1}{2}$ to 4 per cent., which likewise help to swell the available funds.

The multiplication of Loan Banks has as a matter of course led from co-operation between individuals to

* Dr Schneider says that the same thing happened in the case of the Schulze-Delitzsch Banks.

co-operation between associations. Every large district has its own union, with a representative Committee meeting to discuss common affairs. And at the apex of the whole fabric stands the *Generalanwaltschaft*, with its representative Council, and the Annual General Meeting, to check and direct its action. Since 1876, moreover, the union of associations possess also their own Central Bank, in which the affairs and interests of the whole system are, so to speak, focussed, and which has proved a very appreciable convenience and source of common strength. The bank was originally a special feature of the Raiffeisen associations—for the nominally co-operative bank of the Schulze-Delitzsch associations, which does every description of ordinary banking, including the negotiation of municipal loans, in the words of one of its own warm friends, M. Micha, of Liège, '*n'a pour base aucun principe de coopération.*' Of late years two similar institutions have been founded, severally in Hesse and in Westphalia. The Raiffeisen Central Bank is purely co-operative, and devoted entirely to supplying the needs of the connection which it serves. It is the type of bank which—if they still cared to have one, as they did in 1870—our own co-operative societies would naturally select, *mutatis mutandis*, as a pattern for their common banking medium. All risky business, even ordinary banking operations, is strictly interdicted to it. It is simply the common cash-box intelligently administered. It receives surplus moneys from local associations, allowing for such, until recently $3\frac{1}{2}$, now 4 per cent. It supplies them with what money they want at $4\frac{1}{4}$ per cent. plus $\frac{1}{16}$ th per cent. commission *per annum*. It attends to their wants, negotiates their business, helps them with advice—indeed they have come to look upon this useful institution as a sort of little Providence and their helper in all needs. Its

The Central
Committee &
Central Bank.

business is, for its circumstances, very considerable. When I was a guest at Heddesdorf, there were daily pretty large sums of money coming in and going out. And, as in all Raiffeisen institutions, its administration is simplicity itself; everything is done with clockwork regularity, and at what must to us appear a ridiculously low cost. In 1888 the turn-over of the bank amounted to about 5,000,000 marks—at an expense, *everything* included, of 8,000 marks. For 1890 the figures were: 9,000,000 marks turn-over, and 9,000 marks expenses; for 1891: 12,000,000 marks turn-over and 10,000 marks expenses.* Of course the Central Bank is a joint-stock company with *limited* liability, recruiting its support and rendering its services entirely within the sphere of Raiffeisen co-operation. Every local bank may become a shareholder, but none is required to do so. As a matter of fact the vast majority have joined. The balance of the 5,000 shares of 1,000 marks each (on each of which only 10 per cent. is paid up) is held by private individuals. One peculiar feature is this, that the Bank limits the profits of shareholders to a bare $3\frac{1}{2}$ or 4 per cent., carrying every other surplus religiously to the reserve, which keeps growing up steadily, and which is, as in the local associations, eventually to form the backbone of solvency. The existence of the bank has enabled the Central Office to multiply its services in a very acceptable manner to the local associations and their members. Among other things, it has helped it to establish during the past few years a system of co-operative supply, mainly for agricultural purposes—implements, feeding stuffs, manures, seeds and also coals—which was very much needed. Like the Central Bank this new feature of Loan Bank co-operation has

Co-operative
Supply.

* While this sheet is passing through the press I receive the notice that the turn-over of the Central Bank in 1892 amounted to 16,000,000 marks.

been readily and pretty widely copied by other co-operative and *quasi*-co-operative institutions, and by this means agricultural co-operative supply is at length rapidly spreading in Germany. The Central Bank can not by its rules carry on such business itself. To effect it, it has proved necessary to form another Central Institution, after the pattern of a similar body which has rendered exceedingly good service to the great Missionary Society at Bale—a Trading Firm, which among other things also does the association printing. This firm buys the manures, etc., for which the Bank has collected the orders from the local associations, and delivers them for cash to the Bank. The Bank delivers for cash to the associations. And so, whatever lending there is done, is done between the local associations and their members, not as a giving of credit, but as an independent loan transaction. In this way the Raiffeisen Firm has become the means of supplying already as much as £500,000 worth of goods in the twelvemonth. This figure keeps steadily growing, by £100,000, or £200,000, a year. Considering of how recent origin is this business, that appears a very satisfactory result. And, really, it represents only the larger part of the co-operative supply done for the associations. For of late years the local associations have learnt to do some co-operative supply on their own account, by forming supply associations in their own districts, affiliated in a manner to themselves, but kept, in respect of operations and liabilities, strictly independent and distinct, whose business must not on any account be mixed up with that of the local bank. As I shall show, there are local associations which in this way do as much as £2,000 worth of supply business in the year. Like the Bank, the Trading Firm is a *limited* liability concern, acting under self-denying rules which preclude any dividend,

applying the profits to the defrayal of establishment charges, travelling expenses or any other outlay required for the common service. Whatever is left over beyond that is carried scrupulously to the general reserve.

Further De-
velopments of
Co-operation.

The uses of the system do not end here. A co-operative Insurance Department is in course of formation—to insure, among other things, cattle against disease. There are co-operative dairy associations in connection with the system, co-operative hop-growers' associations, and, lastly, a most useful speciality, co-operative vine-growers' associations. These last-named societies are organised on two different principles, as dealing wholesale, or else retail, and in either form they have proved an immense boon to the vine-growers in the valleys of the Rhine, the Moselle, and the Ahr, actually doubling cultivators' receipts. In olden time every peasant used to press his own grapes and prepare the juice ready for market, being almost absolutely dependent for the sale upon dealers, who knew how to study their own profit. Now, as I have myself seen it done in the Ahr valley, all the grapes gathered go at once to the common press, where they are immediately tested for sugar, and credited to each grower according to a scale previously agreed upon. By means of the credit open to it, the association is enabled to pay cash down, reserving a small balance to be distributed *pro rata* at the end of the year. The pound of grapes which formerly sold at from 18 to 20 pfennigs ($2\frac{1}{4}d$ to $2\frac{1}{2}d$) now sells at from 30 to 48 pfennigs ($3\frac{1}{2}d$ to $6d$); the pound which fetched 12 pfennigs ($1\frac{1}{2}d$) now goes for 25 pfennigs ($3\frac{1}{8}d$) and so on in proportion. The public find this innovation advantageous, because it enables them to buy their wine pure, and also to buy it very cheap. One-shilling-a-litre Ahr-wine from a co-operative cellar is very drinkable liquor; two-shilling wine is as good of its kind as you can buy anywhere. The present Herr

Raiffeisen hopes to crown his work on this particular ground by opening co-operative wine shops, for the sale only of wine produced by the associations of his system, in the principal centres of consumption in Germany.

With so great utility, in such variety, to point to as a recommendation, and a degree of success which in its financial application may be summed up in 'millions of money lent, mostly to poor people, and not a farthing ever lost,' it is not surprising, that once the Raiffeisen Banks became really known they made way exceedingly fast, and that all over the Continent they are now meeting with ready imitation. To trustworthy persons their establishment has made want of money for productive purposes absolutely a thing of the past. Everyone can obtain whatever he wants, at about 5 per cent. interest, and he can obtain it for practically any length of time. M. Courtois has ascertained that of the tens of thousands of loans granted—of neither the number nor the amount of which there is a complete return extant—only about 15 per cent. are granted for one year or less, 43 per cent. for from one to five years, 34 per cent. for from five to ten years, and 8 per cent. for longer. So long as the borrower continues regular in his payments, and applies the loan to the object for which the money has been granted, he may be sure that this will go on. If a member has money that he does not know what to do with, there is the Savings Bank open, or the Deposits Department. If anyone finds himself helplessly in his creditors' power, his property mortgaged, and his credit gone, so long as there is any margin of solvency left, the bank with its inexhaustible resources is ready to step in, take over his estate, and see that it goes for its proper value, handing him over the balance for a fresh start. This has been done in hundreds of cases. And in all this large and complicated business, in about a

Benefits of the
Loan Bank
System.

thousand associations, during forty - three years there have been only ten cases of embezzlement or misappropriation, which were in every case met out of the reserve or by the sureties.

It may be well to stop at this point one minute to examine the causes of such signal success.

'Unlimited
Liability.'

Economically
speaking it is
not absolutely
indispensable.

One of them undoubtedly is the peculiar application of what in name is to us an unquestionably obnoxious principle, the principle of *unlimited liability*. A good deal has been said and written upon this point, upon its peculiar dangers and advantages, and as a rule unlimited liability is justified on economical grounds. Without it, it is contended, the requisite money could never be raised. Herr Raiffeisen himself may have held this view, though he is nowhere found to lay special stress upon it. There is, however, really no occasion seriously to press the plea. Within recent time banks have been formed in Hungary, founded in other respects on Herr Raiffeisen's rules, but accepting only limited liability; and Dr von Jekelfalussy—who must be accepted as an authority on this subject—assures me that, with a central lending bank 'to lean upon' for support, they find that liability sufficient. M. Rostand, an experienced bank manager, has also expressed himself to the effect that, with a sufficient reserve, unlimited liability will become dispensable. That really is the object for which Herr Raiffeisen designed the reserve, when he laid it down that it should never be shared out. When we come to talk of Switzerland, we shall see that a People's Bank there, of a different type, has actually with its reserve bought up all the members' shares. It is quite true that the joint and unlimited liability of a number of persons, including some well-to-do, is bound to create a resource of security which in comparison with probable requirements must seem overwhelming. But

that is not the main reason which prompted Herr Raiffeisen to adopt it as a *sine quâ non*. His is an as-
 sociation in which success depends absolutely upon the strictest caution and continual rigorous control. Mem-
 bers must not be admitted except they are thoroughly to be trusted. With unlimited liability, is that possible? Would not election become a purely complimentary act? We have such cases on record. At Capriato d'Orba, for instance, in Italy, a Credit Bank had actually to submit to dissolution, simply because members had been carelessly admitted, and their more wealthy brethren grew apprehensive of the consequences. In Russia, associations find their utility crippled by a foolish rule forced upon them by their Government, forbidding them to expel members. As a check upon admissions, unlimited liability sharpens the wits of people like nothing else, and brushes away all scruples of ordinary courtesy. No man hesitates to say 'No' to a candidature, when he realises that saying 'Yes' may cost him money. And 'You scratch my back and I will scratch yours' becomes an exploded notion. And, really, it is this which has helped to make the Loan Banks such admirable moral reformers as they have proved, instilling principles which previously were not altogether common. People soon find out the value of a cheap lending institution, when they see their neighbours regularly employing it. Once they are made to understand that membership is altogether dependent upon their good character and good conduct, and its continuance upon their perseverance in such virtues, it is astonishing how fast the drunkard forsakes his sottish ways, the spendthrift his extravagance, how fast the idle becomes industrious, the quarrelsome man peaceful, and the reckless careful. The same watchful control is necessary in the dispensing of loans and the exaction of their repayment. Associa-

Its Real Ob-
 ject.

Its Utility.

ations could never effectually check the application of loan moneys to stated purposes, if the borrower's own neighbours, who have the easiest means possible of watching him, were not made aware that what he is spending is *their* money, for the recovery of which each one of them is responsible. '*Ecartez la solidarité,*' says Father de Besse, '*et personne ne voudra même dans une association, ni corriger son prochain, ni se laisser corriger.*' Even beyond this, all that zealous, lively, warm and loving interest in their local association, which every observer remarks upon as a distinctive, striking feature among members of the Raiffeisen Loan Banks, is plainly traceable to the principle of unlimited liability, which makes everyone feel that he and his fellows have become 'members one of another.'

How it is rendered safe.

Only, when talking of 'unlimited liability,' we must not think of such unlimited liability as led to the crash of the City of Glasgow Bank and to so many collapses of Schulze-Delitzsch associations—the unlimited liability of one body of persons for the actions of another. In the Raiffeisen associations, the very people who are liable, also dispose of the money. Their liability is really *limited by themselves*—it is the unlimited liability of a man who orders his coat, or his pot of beer, or his piano, well knowing that every farthing of his estate is seizable for the purchase, but prudently keeping his engagements within the bounds of safety. Not a penny practically can be loaned away without each of the more responsible members, the members who would have to bear the brunt of the liability, knowing of it and having an opportunity given them of quitting the association, if they do not approve, and by such step washing their hands of all future liability—and upon the expiry of two years of every farthing of liability also incurred in the past. That would not be possible in large

Limited by themselves.

associations, gathered together from different towns and parishes, like those of Schulze-Delitzsch; but in small associations like Herr Raiffeisen's it follows as a matter of course. Every grant of money is bound to come under the notice of the five members of the Committee, and after that under the notice also of the Council of Supervision. And if that is not enough, members can do as some Italian associations have done, and at the general meeting limit the Committee and Council to a particular sum beyond which they must not, and legally cannot, lend. The Raiffeisen Association at Loreggia began by limiting the Committee's discretion to 10,000 lire, which figure it soon extended to 16,000. It ought also to be borne in mind that in these purely lending and borrowing associations possible risks can arise *only* from imprudent lending, or else from fraud, which can in no case involve any very considerable sum. Ordinary banking transactions are wholly forbidden. Absolutely no engagement pledging the credit of the association can be entered into. There are no bills discounted and passed on, no mortgages or pledges taken. If there is superfluous money, it must be handed over to the Central Bank or invested in the safest of safe securities. Therefore all that possibly could happen would be a debt proving bad; and as most of these debts are small, the loss could only in rare cases turn out at all serious, even for one person. Supposing that to happen, there would, next to the debtor, be his sureties to fall back upon—sureties approved as sufficient by Committee and Council; those failing, there is the reserve. Really, if that were to come about which has never yet occurred, the balance of liability falling on the association must be very small. No, from unlimited liability as it is practised by the Raiffeisen associations it is not conceivable that any serious danger could arise, and as a matter of

Absolutely no fact in forty-three years of their existence none whatever has arisen. '*Il n'y a pas l'ombre de spéculation dans les Banques Raiffeisen,*' writes M. Fournier de Flaix, after looking carefully into their working; and accordingly, as M. Durand puts it, after even closer and more prolonged investigation:—'*Avec les garanties présentées par l'organisation des Darlehnskassen, la solidarité n'a aucun danger et ne saurait effrayer les grands propriétaires.*'

Advantages of
Small Districts

Another distinct element of the success achieved is, as already indicated, the smallness of the districts, which gives to every association an entirely local character, and brings thoroughly home to members their share and interest in it. This really cannot be understood at a distance. To realise it, you must go among the people, and see and talk to them, watch the pride with which they contemplate their successful institution, the zeal with which they make themselves acquainted with all its transactions. They can show you the books and explain everything to you. They are not a bit afraid of what on paper appears an espionage among themselves; rather do they accept it willingly as an effective bulwark of safety. They become what Signor Levi desires that every genuinely co-operative association should become:—*una famiglia onesta e laboriosa*—an honest and industrious family, with a community of aims, of interests, and of sympathies. They have their savings-bank and put into it, because it is their own. They watch at all points to make sure that the association can suffer no hurt. They discuss all that goes on in connection with it. It has linked them together with a new bond of union which firmly establishes peace and kind feeling. The seemingly rapturous language of M. von Dobransky is not a bit too strong for the case. I have never been more interested in my life than when

'An Honest
and Industri-
ous Family.'

going into one or other of these villages, in which there is a co-operative loan bank, and judging from the evidence presented what that bank has done for its members. Here is one, to me particularly interesting, case—that of the village of Mülheim on the Rhine, not very far from Coblenz. The peasant of the Lower Rhine is as a rule —whatever the 'Peasant girls with deep blue eyes' may have been in Byron's days—not a particularly genial and attractive specimen of humanity. But it is surprising what a metamorphosis the advent of this humanising instrument has brought about. The best among the population of Mülheim, some two hundred and fifty persons, have joined the bank. Though the soil around is rich and well watered, the place is said to have been some time ago rather neglected, and not a little pestered with 'Jews.' The latter have quite disappeared. That is another advantage of small districts. *'L'usure ne peut être combattue que de près,'* rightly urges M. Léon Say. In Germany it has baffled even Bismarckian methods of eradication, which do not usually err on the side of gingerliness. What the Prince's 'blood and iron' could not accomplish, co-operative gold has managed with ease. Whole battalions of these greedy gentry have been put to the rout, and driven discomfited from the field. To come back to my instance at Mülheim—the old wattle and post-and-pane houses, with their rickety timbering and ramshackle roofs have disappeared and given place to neat, substantial, stone buildings. There is an unmistakeable look of plenty, of order, of neighbourliness observable everywhere. Of course, according to the teaching of our own agricultural authorities, these people are farming on an entirely wrong system. But there are no signs of agricultural depression about their properties. The gardens are tidily kept, the fields and orchards look throughout *bien soignés*, and everything

Instance of
Mülheim.

Usury is to be
fought effec-
tively only at
Close Quarters.

appears prosperous and flourishing, so that, after all, perhaps facts are more correct than theories. Land fetches about £1 the German rod, which sums up to £288 an acre. On such soil of course good husbandry tells; and co-operation has perceptibly stimulated it. You see drainage, new implements—even a steam threshing machine has been provided by co-operation, one of those expensive implements, which our English journalists—writing down *la petite culture* as Goethe's 'German' portrayed a camel which he had never seen—periodically assure us that the small peasant could never manage to purchase out of his small purse. Here is one purchased by him—and purchased without money, to begin with, and without cost in the end. He has let it out, to members at 8s. 6d. per hour, to non-members at 9s. 6d. (including hands), and that has paid for the machine. He does a good deal in the way of co-operative supply, agricultural and otherwise. By the side of his co-operative credit association he has set up a co-operative supply association, which does from £1,800 to £2,000 worth of business in the twelvemonth, for all of which it borrows the requisite money from the bank. Himself and his neighbours pay in about £2,000 in savings every year. There is a considerable revenue from cherries also. This is one of the three German districts which supply us pretty liberally with cherries in three successive periods. First comes the Bergstrasse, in Hesse and Baden; next follow Salzig and Boppard, where a French General, administering the country under Napoleon I, had millions of cherry trees put into the ground; and last comes this bit opposite Neuwied. From this village alone in good years we now receive some £3,000 to £4,000 worth of cherries. In July 1891 cherry-growing members of the association paid into their bank 23,945 marks of cherry money on deposit, after

deducting what they required for current expenses. Moreover the association does a considerable business in *Verkaufsprotocolle*—bonds pledging purchasers of small real estate to certain payments by instalments. All the dangers arising from that once very formidable process have been overcome with the assistance of the Loan Bank. It buys them at a moderate discount, and all goes on peaceably, and merrily, as if there never had been any 'Jews.' This little bank has annually about £2,200 worth of these bonds coming into its possession and holds generally something over £6,000 worth in its hands. All in all, it has an annual turn-over of about £35,000, leaving a net profit of about £250, every farthing of which goes to the reserve. By this means, though the bank serves all its customers very cheaply, since 1880, when the association was formed, a reserve has accumulated of about £1,500, enabling the bank to allow to its customers six months' credit on co-operative purchases without adding a penny to the wholesale price. And how these people do love their association! They employ a cashier, who acts also as secretary, at the small salary of £37, 10s a year. He has got all the book-keeping at his fingers' ends, and knows all, financially, about everyone with whom he has to do. There must be something in the system which trains these rude peasants, not in one village only, but seemingly everywhere, so readily to the use of pen and account book. M. Alphonse Courtois recognises this as one of the chief causes of their success: '*Elles sont d'ailleurs remarquablement administrées; cette division très nette des attributions entre pour beaucoup, présumons nous, dans le succès de ces unions.*'

Loan Banks
train People
to Business
Habits.

Seeing all this makes one wish a little for a well-organised Raiffeisen Bank to take its place in some of our neglected villages—or, say, in Ireland, or among the

'A Work of
Social Reform.'

usury-ridden poor ryots of India. There is no one, I venture to say, who sees the banks at work, who will not heartily agree with all the laudatory things which Dobransky, and Jekelfalussy, and Rabbeno, and Fournier de Flaix, and Paul Müller, and Léon Say, and Émile de Laveleye, say about them. It does seem so truly wonderful, and it seems all the more so, since it was all, so to speak, conjured out of nothing. Nobody has consciously, nobody can be said to have at all, contributed to it by a pennyworth of self-denial or what economists call 'abstinence'—nobody except the organisers. Yes, it needed, in Émile de Laveleye's words, '*des hommes dévoués*,' to plant those banks, to watch over them, to make them succeed. And for the same work it will need such elsewhere. '*Il ne suffit pas d'avoir une bonne machine*,' says M. Léon Say, on the same point; '*il faut aussi avoir un bon mécanicien*.' But the work has proved worthy of the 'devotion.' And from the outset Herr Raiffeisen was willing to give it, since, as M. Fournier de Flaix points out, he started on his mission with the object of achieving not merely '*la vulgarisation du crédit*,' but 'a work of social reform,' for which his fellow-men would be the better. It can not be doubted that he has succeeded. His work has been subjected to many a test. Unfortunately, like every good work, it has had opposition and obloquy to contend against, which have, however, led only to its more brilliant vindication. In 1874 the late Emperor William appointed a Royal Commission to inquire into its proceedings, presided over by the late Professor Nasse, and having Dr Siemens for a member. The Report, published in 1875, proved so favourable that the banks have from that time forward had the Imperial Family for their warm patrons, including the Empress Frederick, who has more than once given

Report of a
Royal Com-
mission.

proof of her interest. The late Emperor William testified his approbation by a gift of £1,500 from his privy purse, to which his grandson has recently added another of £1,000. Among the evidence collected by the Commission mentioned occur the statement already referred to of the Rhenish parson, who confessed that the Raiffeisen bank in his parish had done far more to raise the moral tone among his parishioners than all his ministrations, and the deposition of the presiding judge of the Court at Neuwied, which shows how materially litigation has diminished in his district, owing to the conveniences afforded, and the good principles instilled, by the local Raiffeisen Loan Bank. Those good effects have been sustained. In 1886 the Diet of Lower Austria sent two experts to inquire into the system, who expressed themselves so entirely satisfied of its merits that that Diet, and other Diets of the Austrian Empire following in its footsteps, at once resolved to encourage the formation of Raiffeisen associations in their several provinces, and backed that resolution with grants of money. In Saxony, in Baden, in Hesse, in most provinces of Prussia, Governments are giving proof of their desire to have these banks multiplied. And by economists and philan-

‘The setting up of Raiffeisen associations means the pulling down of workhouses.’ M. Rostand commends as their distinguishing traits: ‘extreme simplicity and cheapness, non-allowance of any dividend, limitation of the district to a parish or a hamlet, the strict prohibition to touch the reserve, the support of the clergy, the common liability replacing the helplessness of agricultural units, the prevailing spirit of devotion and sense of social duty.’ ‘I have

‘A Happy
Combination of
Business and
Philanthropy.’

examined many systems,' writes M. Durand, Secretary of the last Congress of People's Banks, held at Lyons; 'I have not found one which reconciles so fully the demands exacted by Credit: security of operations and the social and moral requirements of rural populations. I do not hesitate emphatically to pronounce the *Darlehnskassen* of Raiffeisen the finest creation, alike from a moral and an economic point of view, which has ever been invented for agricultural credit.' To the mind of M. Rostand they conclusively settle the question whether the small agriculturalist requires credit at all. It has been denied. It has been affirmed that if he had it he would abuse it. Here, says M. Rostand, is the answer.

It is undoubtedly a great work which Herr Raiffeisen has achieved—to my mind greater than that accomplished by Herr Schulze, although, developing more slowly, it has not yet proved the means of raising quite so much money—greater, because beginning upon less, compassing more in a moral aspect, and resting on a much safer foundation. To the system of Herr Raiffeisen as to that of the *banche popolari* may justly be applied M. Rostand's felicitously-worded phrase: '*C'est l'heureuse union de l'esprit d'affaires avec les sentimens d'une véritable, d'une pratique philanthropie.*'

CHAPTER V

THE GREAT CO-OPERATIVE CONTROVERSY

IN discussing the two types of credit banks just re-
viewed, which have in practice served as models for
credit associations of all other systems, it is scarcely
possible to leave altogether unnoticed a controversy
which has arisen over their respective merits, and which
has become a subject of rather heated discussion among
economists interested in the question. Human nature
would not be human nature if a considerable amount of
quite unnecessary animus had not been imported into
this dispute, and economical matters had not been freely
mixed up with personal—more especially on the part of
Schulze, whose vanity seems to have been irritated by
the sight of a second Richmond in the field, against
whom he has turned with an amount of bitterness
evoking, even from his best and most distinguished
disciple, Signor Luzzatti, the severe but deserved rebuke :
' this polemic has not redounded to the honour of Schulze '
(*non torno a onore dello Schulze-Delitzsch*).

Origin of the
Controversy.

With that aspect of the question we have fortunately
no concern. But, at the risk of an occasional repetition,
it may not be amiss briefly to run over the several
counts of the quarrel and sum up the arguments used
on either side, inasmuch as they touch upon all the
cardinal principles of co-operative credit, and their

consideration may help to give a clearer insight into the motive power which impels the useful institution.

On all the chief items, it may at once be said, the judgment of impartial criticism has gone almost unanimously in favour of Herr Raiffeisen, whose system, there can be no doubt, represents a purer conception of co-operative principles.

Essential Difference between the two Systems.

Of course the two systems were bound to differ. They grew up amid different surroundings, with different material to work upon, different men to shape them, different tasks set to them. And they both have their own proper spheres, within which in truth they might have been content to act, without issuing out to tilt a lance against their supposed rival. Probably the two originators started on their creative work with substantially the same aim in view. What led them into contest was, that they realised in widely different degrees what might be accomplished with purely co-operative weapons. Raiffeisen having settled in his mind that his object must be, to help the poor by providing the cheapest and readiest possible credit, made the attainment of that desideratum his sole aim, subordinating to it all other considerations, and putting the borrower's interest consistently foremost throughout. Schulze, more timid, apprehended that without some artificial inducements held out to capital and administrative skill, in the shape of pecuniary reward, he would not be able to secure either. That is what led him to allow large dividends, and remuneration to officers, the latter in the shape of both salary and commission. On both these points has the judgment of his best pupils gone altogether against him. There is now no more zealous advocate of gratuitous services than Signor Luzzatti, and as a matter of fact the Belgian *Banques Populaires* declare dividends—I am quoting from recent returns kindly

forwarded to me by M. Micha, the Secretary General of the Federation—of 3, 4, 4½, 5, and in only two cases of 7 per cent. Signor Luzzatti has not been able altogether to undo the mischief permitted in his older *banche*, some of which still repay their shareholders' support with high interest. But to banks newly forming his invariable advice is this: limit your dividends, provide for gratuitous services, place the borrower's interest first throughout—'*il credito al massimo buon mercato esprime il primo e supremo bisogno; il dividendo vistoso deve figurare in seconda linea.*' Large dividends must necessarily mean dear money to the borrower. And that compromises the whole object of the association. Besides, it necessarily creates two classes of members, between whom there can be no community of interest, therefore no full co-operation, who must, in fact, be antagonistic to one another: lenders and borrowers. '*Pour sauvegarder l'idéal de l'institution,*' he says, '*ce n'est pas des pertes qu'il faut nous garer, c'est de l'excès de gains;*' and on the borrower's behalf he insists above all things on '*condizioni oneste e miti.*' M. Rostand probably describes the great Italian co-operator's views correctly when he says: '*Le type du maître serait une banque à dividende fixe, le surplus des bénéfices allant à la réserve; quand celle-ci aurait doublé le capital, on rembourserait les actions, et avec les profits ultérieurs, on réaliserait de grands objectifs philanthropiques, retraites pour la vieillesse, etc.*'

There could not be a more complete vindication of Herr Raiffeisen's principles. In point of fact, neither high dividends nor remuneration of officers have proved necessary. Schulze has attracted plenty of money. But so has Herr Raiffeisen, without allowing dividends or salaries, and so has Dr Wollemborg, likewise without either. And the excellence of management of the

Bribes are unnecessary.

Raiffeisen Banks is one of their noted strong points, set down by M. Courtois as one of the main causes of their success. M. Rostand, also, as an expert banker, does full justice to this feature. On the face of it, it stands to reason that in a work which ought to be undertaken, to use Father de Besse's words, not as *une affaire*, but as *une œuvre*, volunteer officers must be by far the most acceptable and—apart from clerks of the permanent staff—administrators who will not give their services gratuitously are better not employed. It has already been pointed out what a vicious effect salaries and commissions exercise upon officers intrusted with a discretion in the disposal of association money. 'Officers of co-operative credit banks,' says Signor Luzzatti, 'should have a conscience free from all personal pre-occupations and from pressure of any sort.' They should know 'neither father nor mother,' and consider business coming before them purely on its own merits. Schulze's allowance of pelf is directly responsible for much of the trouble brought upon his associations. Herr Raiffeisen has no need to rate his officers for '*Vertrauensdusel*,' as Dr Schneider periodically does. In practice the system based upon purely gratuitous service has proved at once the most economical and the most safe. What germ of danger of a different kind lies hidden in large dividends has already been pointed out. Experience has shown that they stimulate what Dr Schneider calls 'dividend-hunger,' and in practice they have led to the conversion of many a co-operative bank, honestly started with philanthropic principles, into a joint-stock usury association, laying itself out to fleece borrowers for the benefit of lenders. *L'appétit vient en mangeant*. When we read of associations declaring 30 and 56½ per cent. dividend, we cannot wonder that the capitalist lion, having once tasted blood, thirsts eagerly for more.

Once you put capital and need in antagonism to one another, you may be sure that Capital will carry the day, and Need will be victimised. In such matters the safest maxim is : *principiis obsta*.

The mischief of high dividends really began when Schulze decided to base his associations upon shares. Drawbacks to Shares. Now it may seem a rash thing to argue against shares in a country in which no co-operative enterprise has yet been set on foot otherwise than as a Joint-Stock Company—differing from other Joint Stock Companies only in the larger number of shares issued and in the fact that the shareholders bring custom as well as capital to the business. But it ought to be borne in mind that we have never attempted to deal with the problem which Schulze and Raiffeisen set themselves to solve. We co-operate as capitalists. Their co-operation has the object of *creating* capitalists. Schulze himself states his aim to be ‘to create a capital *without* a capital of guarantee.’ Moreover, we do not know what it is to start an association with *unlimited liability*, in the sense which these foreign credit associations put upon the term. Both German types accept that principle, and the only difference between them in this respect—the difference, indeed, by which to a large extent they must be content to be judged—is the measure in which they have managed to render that ‘dangerous weapon,’ as Dr Schneider styles it, harmless. Now, if you deliberately adopt unlimited liability, you adopt it, it may be assumed, because you consider that it will prove efficient for your purpose. Schulze and his friends certainly cannot plead disbelief in its efficacy, because they have been among the loudest of its eulogists. But if it is efficient, why add the security of shares? There was a lady, we read, who would not invest in consols, because she wanted to ‘see her money.’ Schulze, in his uncertainty

Shares are
unnecessary
where Liability
is limited.

as to which horse he was likely to win upon, appears to have been actuated by a similar desire. But if unlimited liability is not sufficient to secure the necessary credit, the small amount added in the shape of share capital will not make a material difference. We have seen what a small proportion of the money dealt with in loans by the Schulze-Delitzsch associations is provided by share capital. It does not amount to 20 per cent. of the whole. In respect of the Raiffeisen associations it has been calculated that the security provided by shares would have increased the entire security pledged in the following proportions:—In one case it would have raised it from 12·4 times the liabilities to 12·5; in another from 20·6 to 20·8; in a third from 20·7 to 20·9; in a fourth from 51·0 to 51·5; in a fifth from 67·1 to 67·8. That is altogether too insignificant to count. The most conclusive answer to Schulze's argument in favour of shares, however, is, that the Raiffeisen and Wollemborg Banks have secured ample credit without shares. The Wollemborg *casse* do so to the present day. And the Raiffeisen Banks do not stand one whit the better for having issued the shares which Prince Bismarck forced upon them.

Reserve the
Backbone of
the Organisation.

Ready money, no doubt, there must be. But if unlimited liability is good enough to purchase credit, it is also good enough to purchase money. Take away that security, limit the liability, and of course you must have shares. With unlimited liability you do not need them. A fund of, so to speak, crystallised solvency there must also be at the back of the bank. But that fund may be created by a reserve—as in point of fact it is in the Raiffeisen Banks. I do not mean to assert that the Schulze-Delitzsch amass no reserve. But their first thought is given to dividend. As a backbone to an association a reserve is on many grounds preferable to a comparatively small share capital. In the first place it

really gives the bank a capital of its own, which share-capital does not. Shares may be withdrawn and often are. Many people in this country have probably no idea as to the extent to which that may take place. The 'Pioneer Bank' of Boston (Massachusetts)—which, although an institution differently organised, may fairly be quoted as a case in point—on its formation issued its first series of shares numbering 1,726. Of those 1,726 only 21 arrived at maturity. As many as 1,181 were withdrawn. Co-operative banks are well aware of the danger arising from the withdrawal of shares, and in such manner as they can seek to guard against it. Swiss banks have made it a rule that upon a certain number of shareholders giving notice of withdrawal, a general meeting is at once to be called, to decide if the bank is to go into liquidation or not. In respect of a reserve there is no such danger. Members may withdraw. The reserve remains the property of the bank. That ensures a further incidental advantage. With a reserve as common stock, members are much less likely to leave the association, or to make themselves liable to expulsion. A reserve, moreover, which has to be created little by little, and is destined to become the recognised rock of strength of a bank, affords, while in course of formation, a far more powerful stimulus to saving and to economy in the management than does a share capital which is subscribed and then done with. Besides all this, there are positive disadvantages in shares, which grow more formidable in the precise degree in which they come near the attainment of Schulze's aim of providing security, in other words, the larger they are. Large shares have been found actually to deter members from joining. A man who can lay by money only at the rate of sixpence at a time may well hesitate before he commits himself to the gradual payment of £30. Now at first, as

Danger of
Withdrawals.

Advantages of
a Reserve.

Signor Levi tells us, Schulze deliberately would not have the very poor men. A member, he argued, must have some means, or his proper place is not in a self-help, but in an eleemosynary society. Signor Luzzatti in the early years of his co-operative career faithfully echoed that sentiment. But long since he has *étagé* his banks—ranged them in ‘tiers,’ adapting their demands to the means of different classes of members; and, moreover, he has crowned his work with that peculiar glory of the Italian *banche*, the *prestito sull’ onore*, which advances money freely to the poorest of the poor. Schulze himself has had to give way on this point. His ‘property qualification’ has grown smaller and smaller, and though Dr Schenck now protests on his behalf that £5 is too low a figure for a share, there are many associations with £3 shares only; and in Thuringia, where competition between Raiffeisen and Schulze is keen—and the Schulze associations have (according to the testimony of Dr Heim, a Privy Councillor of Saxe-Meiningen, and Dr Franz, of the Agricultural Department of Saxe-Weimar) been compelled to adopt practically Raiffeisen rules—the amount stands lower still. The mere fact that Schulze has had to bend to Raiffeisen, and not Raiffeisen to Schulze, ought to show which is the stronger and the more popular system of the two.

‘Character’
versus ‘Se-
curity.’

Another point in the controversy over which dispute has waxed fierce is the manner of lending to be adopted. Schulze, timid and apprehensive, threw out his net to catch fish of all breeds. He made his associations large, in order to secure ample support; and he decided to admit practically any kind of conventional security—except those two of which he was at his time not bold enough to think: (1) what bankers call ‘character’; and (2) the employment of the loan itself. Hence his large, uncircumscribed districts, which make members strangers

to one another, and render even effective representative action wellnigh impossible. Hence that bewildering variety of securities permitted, from mortgages down to assured notes of hand, but with a preference for bills of exchange and the more antiquated descriptions of pledges, which M. Léon Say condemns as characteristic of *l'enfance du crédit*. Timidity it was, and adherence to old methods, which disposed him to show a preference for short loans, which make the Credit Associations practically useless to agriculture. Short credit is, of course, from a banker's point of view a most convenient thing. It keeps the money perpetually 'in hand'—'rolling' backwards and forwards. Schulze's peculiar vindication of short credit, however, as we have seen, is not based upon this particular ground, but on one which is likely to bring a smile to the faces of practical bankers. He appears to assume that a banker earmarks every sovereign which comes in, and, having received it, lends it out for just as long a time as will enable him to repay the same debt with the same coin. In point of fact Schulze's own banks obviously offend against this fantastic principle. For they take savings deposits at three days' notice and lend them out for three months. The whole theory, is of course, nonsense. And in practice, in spite of continued protestations from headquarters, it has had to be abandoned. It was time to abandon it, when a large number of associations seceded on this very point. In Thuringia the Government officers already quoted—and others—tell us that the Schulze associations have on this point likewise to some extent adopted Raiffeisen rules, and now lend out for longer terms.

Long Credit
and Short.

Herr Raiffeisen from the outset proceeded on directly opposite lines. He recognised that he had set up banks to lend money to *poor men*, and that accordingly he

Banking adapted to Poor Men's Needs.

must be content with such security as poor men can give. Mortgages he would not have, nor the pledges on which Schulze's associations lend; because they are inconvenient security. Bills of exchange he refused on other grounds. Realty, consols and the like, he could not look for from the poor. Therefore he must accept strictly personal security—'*le crédit tout court sans phrase*'—what our bankers call 'character,' and—for this innovation in banking he deserves especial credit—the guarantee of the loan itself. On this ground, again, he is in agreement with Signor Luzzatti, who bases his credit mainly upon 'moral guarantees.' He is in agreement also with Sir R. Morier, who considers the skill and muscles of Labour fit material to form a pledge for credit. And, of course, to be of service to borrowers, he must meet them in respect of time as well as of security, and make long loans possible. Signor Luzzatti has recognised the same necessity in adopting his *cartelle agrarie*, running for long terms. Long loans, moreover, are not by any means such a drug in the market as Schulze appears to assume them to be. More than one non-co-operative bank has deliberately adopted them as an inducement to business. The Agricultural Bank of Segovia, one of the best-managed banks in Spain, has deliberately extended its credit from one year to seven, not only on the borrower's account, but on its own, to prevent its moneys from coming in and going out all just at the same time.

Advantages of
Small Districts

Of course such methods of business require special safeguards. Hence the small districts which Schulze condemns as securing indifferent financial strength—districts which render a self-regulating supervision and discipline possible, keep the members continually in touch with one another and turn representative administration into a reality. 'It is the smallness of the districts,' writes

Herr Gau, of the Agricultural Department of Saxe-Weimar, 'which makes the Raiffeisen associations so generally trusted.' Creditors know that in such districts strict control and supervision are likely to be efficient. We find just the same thing in China, where, General Tcheng-ki-Tong tells us, his countrymen positively will have none but small districts. They will not be fellow-members with persons whom they do not know personally, and of whose doings they are not accurately informed. Once they are satisfied on this head, they willingly incur any amount of liability, the one for the other. M. Léon Say's argument in favour of small districts, based on a different ground, namely, that 'usury cannot be contended with except at quite close quarters,' has already been quoted. 'We must not make the sphere of action of a bank too large,' particularly urges Signor Levi; 'an activity too diffused creates a necessity of bonds of dependence, which invariably diminish the simplicity and rapidity of operations; credit must be prompt; it is necessary that members should know one another, that they should be so near to the institution as always to be able to take part in the meetings and assist at the Councils of managers.' And he goes so far as to pronounce 'fifty or sixty' members enough for an association.

Hence also that curious four-weeks'-notice clause, at which Schulze takes such serious umbrage, but which has found ready imitators wherever similar conditions come into play. Some Dutch People's Banks have adopted it. The *Banques Populaires* of Belgium have made it their own; the *Banche Popolari* of Italy have grafted it upon their system: and, lastly, the Prussian Government has embodied something like it in the rules of the new *Rentenbanken* constituted to enable tenants to purchase their holdings by instalments. In all these

The Check
upon Employ-
ment of the
Loan.

cases a strict control in respect of the employment of the money granted is indispensable. And as the debtor has nothing else to offer by way of security, he must be content to submit to a check which acts only in the same way that does our own Appropriation Act, binding down the Government to appropriate the separate votes of Ways and Means to the specific objects for which they were granted in the Budget. That is the only way in which 'honesty' can be 'capitalised.'

Raiffeisen's
System gener-
ally judged
superior to
Schulze's.

There can be no doubt, looking at the whole question, that all through Raiffeisen selected the more truly co-operative, and philanthropic, and consistent course. In the controversy which has arisen over this subject pretty well every one not *a priori* committed to the opposite side has pronounced judgment in his favour. In Belgium, Émile de Laveleye; in Russia, Dr von Keussler; in France, M. Léon Say, M. Rostand, M. Fournier de Flaix. The French Société d'Économie Politique has debated the question at length. It came to no definite conclusion; but from the reports of its discussion which appear in the *Journal des Économistes* and the *Économiste Français* there can really be no doubt as to which way the judgment of those present inclined. The Secretary of the French Embassy at Berlin, M. Beaucaire, in an official report of his Government inserted in the *Bulletin du Ministère d'Agriculture*, speaks as favourably. As for Germany, the Head of the Agricultural Department of one of the German kingdoms has expressed himself to the following effect:

'The Credit Associations (of the Schulze Delitzsch type) aim at high dividends by the largest possible extension of their business, as regards both territory and operations. This has in many instances led to speculation for the sake of gain (the acceptance of unsafe mortgages in consideration of a higher

interest, the dealing in speculative shares, or else the investment of the reserve in such effects, the discounting of bills without sufficient knowledge of such business), more especially where officers are remunerated by *lantième* (i.e. commission). These are, briefly summarised, the causes why the 'credit associations,' which had been much in vogue up to the company-promoting years, 1871 to 1873, have in this kingdom found themselves compelled to call up very considerable payments from their members, in order to enable them to continue their existence, or else to go into liquidation. . . . The very painful experiences in respect of Credit Associations, by which many an agriculturist, required, after years had gone by, to meet unexpected calls, has lost all his property, made people at first so shy that for a long time they could not be convinced that the Raiffeisen Loan Banks, in striking contrast to these associations, afford *almost absolute security*, since they are administered on totally different principles (no dividend, no speculation, salary only to the cashier, small districts, confined only to one parish or to one or two adjoining ones. Accordingly it was only by slow degrees that such associations could be introduced here. . . . Now that a beginning has been made I expect a rapid advance in the formation of Loan Bank Societies.'

Professor von Miaskowski, the late Professor Held, the late Professor Nasse, Dr von Langsdorff, of the Agricultural Department of Saxony, Ministerial Councillor Buchenberger of Baden, Privy Councillor Jaup of Hesse, all are equally satisfied of the superiority of the Raiffeisen system. From Hungary Dr von Jekelfalussy, the chief of the Statistical Office of his kingdom, and himself a careful student of Credit institutions, writes to me on the same subject (in English):

'As to their effect (the effect of the different types of credit banks, that is, established in Hungary), only the Raiffeisen associations can be quoted as realising the benefits of Co-operation; the others differ from the Anonym Societies (that is, Joint-Stock companies) generally only in name, being devoted to the same

desire of profit, wishing to reimburse as high profit on their own capital as possible. So the interest of the capital is put too high, and no cheap credit can be obtained. The Raiffeisen associations prosper very well. They popularise the idea of co-operation and, lending on cheap interest, drive away usury and promote the growth of wealth.'

Benefits of the
Controversy.

All this means no blame to Schulze. He operated on new, unexplored ground in the way which seemed to him to promise best. The fault is with his followers, who in the teeth of experience adhere doggedly to principles which served their purposes well enough in the early days of co-operation, but which ought to have been amended in Germany, as they have been amended in Italy, and to some extent in Belgium. Time has shown all Schulze's apprehensions to be ill-founded. People require no 'compulsion' to make them save, when they can be educated to see that it is their interest to do so; Capital demands no high dividends to attract it; capable men are to be secured without salaries. But on the other hand associations require that which Schulze refused to give to them:—close and constant touch among their members, manageable districts, strict control and discipline. Co-operative credit rises all the stronger for this discovery from the trial upon which it has been put:—more self-reliant, more independent of outward helps, more powerful in its own resources. One could have wished that the rival parties had not grown so furiously excited over their controversy. But the controversy itself has not been thrown away.

CHAPTER VI

OFFSHOOTS AND CONGENERS

ONCE Co-operative Credit had, under Schulze's and Raiffeisen's skilful guidance, shown itself a decided success, the idea was of course readily taken up in many quarters. Every wind, so to speak, caught up seeds dropping from the fruitful and richly bearing tree, to waft them across the Continent, and indeed beyond Europe, scattering them here and there, as the soil seemed favourable. On some land they struck root rapidly, and grew up luscious plants. Elsewhere, under a less clement sky, their growth has proved more sparing. In one or two places the pushing sprouts found indigenous kindred produce to mingle with, and so helped to bring forth new types and to afford fresh proof of the surprising adaptability of the newly discovered system.

In such a way, first among all countries, was Germany overspread with off-shoot associations, thriving, and tillering, and inter-twining, and multiplying to a very forest. A very provoking feature about all this German money co-operation, however, is, that *more teutonico* it has become split up into a bewildering multitude of sections, all independent in organisation, all different in name, all most orthodoxly jealous of one another—but with very little essential difference to justify their divisions,

The Spread of
Co-operative
Credit.

Off-shoots in
Germany.

'Particularism'
in Co-operation

except as between the two distinct main families owing their origin severally to Schulze-Delitzsch and to Raiffeisen. All the rest is in truth but fancy variety. What could have possessed these professing 'co-operators,' the very priests and prophets of the gospel which says that 'in unity there is strength,' deliberately to turn, like Milton's figurative hounds, against their own mother, and develop into declared 'anti-operators,' one is at a loss to conjecture—unless it be on the ground that in Germany every movement, whether of politics or of anything else, seems by some inscrutable law infallibly doomed to run into what, by a name peculiar to themselves, like the thing it stands for, our neighbours style 'particularism.' No institution less robust than Co-operation could have stood all this self-persecution. The difference between Schulze and Raiffeisen, of course, is plain and self-evident. But here are Haas and the *Landwirthschaftliche Genossenschaft*, the Westphalian, and Franconian, Posen, and Broich, and nobody knows how many more systems running into one another like the pieces in a child's map-puzzle, with the ultramontane (both Roman and Lutheran) *Bauernvereine** spreading out their 'arms' like octopods over a good bit of common area, to suck up what spoil they can for the benefit of 'Mother Church.' What a contrast to Italy—politically as divided formerly, and united only since about the same time! Italy knows neither political nor co-operative 'particularism.' The banks formed more or less on the Schulze-Delitzsch model are all *banche popolari*, those of the Raiffeisen type are all *casse rurali*, and even among themselves the two types are excellent friends, each doing its best in its own sphere, and helping the other.

Barring the drawbacks arising from this most unne-

* The *Bauernvereine* are not included in the published statistics.

cessary multiplication, the German imitation People's Banks are for the most part useful institutions, some of them very much so. In one or two instances secession from the parent connection appears justified, in one or two others at any rate explicable. The *Deutsche Landwirthschaftliche Genossenschaft*, as we have seen, separated from the Schulze-Delitzsch associations, because that organisation would not in the matter of long credit accommodate itself to the requirements of the market. The 'Haas' associations in the same way seceded from the Raiffeisen associations, because they thought their rules too severe. They themselves would not be 'righteous overmuch.' While Posen, constitutionally disfranchised, is preserved as a state within a state, with customs and institutions different from those of its neighbours, it is also quite intelligible that the Posen societies—which I understand to be very good—should be kept as a separate organisation. But there are other connections, each with its fifty, a hundred, or two hundred associations, one with only six—one or two with their little central body and central bank—for the separation of which there is absolutely nothing to be said.

What a tremendous force German Credit Co-operation must represent, were it united, must appear from the fact that there cannot at the present time well be less than 4,800 Credit Associations in the Empire (without counting the *Bauernvereine*), probably with something like 1,500,000 members between them, a joint capital of £20,000,000 or £25,000,000, and lending out annually something like £150,000,000.

One undoubtedly interesting feature about this division, the surest proof of the firm hold which the idea of Credit Co-operation has secured upon the minds of the German people, is the ingenious way in which political

Variety of
Organisation.

Aggregate
Power of Co-
operative
Credit in Ger-
many.

An Instrument
for Political
Propaganda.

A Landlords'
Association.

partisanship has pressed it into its service for the advancement of its own ends. It almost seems as if there were no propaganda any longer possible, affecting the mass of the people, with any chance of success, except it have credit co-operation for one of its features, as a recruiting sergeant or decoy bird. A Committee of Conservative landowners have lately organised their own 'anti-socialist' organisation, based—very naturally under the circumstances—upon 'limited liability,' but comprising, according to the last return which its founder, Herr von Broich, has been good enough to forward, in 1891 only 22 societies and 148 members. They had up to that date done very little; and they appear to have done not much more since. But they were 'going to do' a great deal.

'Peasants' As-
sociations.'

A far more powerful organisation is that of the *Bauernvereine*. That teaches us a lesson worth knowing, because it shows that the prevailing impression, by which the scanty development of co-operation in Ireland is sometimes explained, namely, that the Roman Catholic clergy are unfavourable to co-operation, is by no means necessarily correct. The *Bauernvereine* are not only distinctly favoured by the Roman Catholic clergy, but they are altogether of ultramontane origin. It was Baron von Schorlemer-Alst, one of the principal leaders of the Ultramontane party, who organised them. Like the Broich associations they pursue social and religious, and what we should call political, aims beyond, and really in preference to, economic. They want to raise the moral tone of the peasantry, to keep them loyal to Church, Crown, and Squire, and to counteract the prevalent tendency of subdivision of yeomen's properties—which make the peasant so manageable—into smaller holdings, which make the population much more independent; and they want to do all this by good 'ghostly

and other authoritative counsel, and also by such economic means as combined action can ensure : co-operative purchase of manures and implements, etc., co-operative legal advice, and co-operative loans. One might call it an adaptation of Cromwell's historic advice : Fear God *in our way*, and we will help you to keep your powder dry. The actual number of the *Bauernvereine* I have not been able to ascertain, even from headquarters. But it must be considerable, and what with their means and their influence, and their union among themselves, the *Bauernvereine* no doubt represent a powerful force. And they have done a great amount of good—though it was unquestionably good done ‘with an object,’ and savours more of Buchez's co-operative principle : ‘*l'esprit de la discipline est le véritable esprit de l'association*,’ than of M. Léon Say's : ‘*la démocratisation du crédit*.’ There are now unions of associations of this sort in Westphalia, in Rhineland, in the district of Trèves, in Hesse, in Nassau, in East and West Prussia, in the Eichsfeld district, in Silesia, and in Baden—some very little developed, others very powerful, some purely Roman Catholic, others nominally ‘undenominational,’ with the Lutheran clergy working, either by themselves, or else hand in hand with their Roman brethren, for the cause of the Church which in their own aspect both love equally well. And some *Bauernvereine* have pushed their way into Belgium, to become there, under Professor Francotte's guidance, even more socially political or class-political than they are in their own birthplace. For in some districts, as at Perck, there are *membres fondateurs*, who really form the society—well-to-do landlords, who supply the money and work the machine—and *membres effectifs*, tenants and small cultivators, who are intended to profit by it financially, some of these having even their subscriptions paid for them by their landlords, and joining as a matter of

course, as a duty which goes with the tenancy. All this may be very useful, but it is scarcely genuine co-operation; it represents rather doles than self-help, and tends more to dependence than to independence and manly self-reliance.

Co-operative
Credit in
Austria and
Hungary.

Austria and Hungary have not shewn themselves slow to learn the useful lesson taught by their neighbour, Germany. Indeed, on the Danube, co-operation for credit has become the most popular form of co-operation—at any rate in Austria, which in 1890 possessed, out of 1,898 co-operative associations in all, no less than 1,489 credit associations. In 1889 the number of credit associations was in Austria actually greater in proportion to territory than that registered in Germany, namely 1,312, as compared with 2,200. But the German associations are larger and also do a more voluminous business. Statistics find their way into print very tardily in the Empire on the Danube. The most recent figures bearing on our subject now at my disposal are those which refer to the year 1887, shewing a total number, in Austria alone, of 1,195 co-operative credit associations, with about £4,000,000 of capital and reserve, that is, £3,300 per association. With the help of about £22,400,000 of borrowed money, these associations had lent out in the year £25,060,100, that is £21,000 per association—not a bad return for five years ago, since which time, thanks to the active encouragement given to Raiffeisen Banks, there have been further additions and a material increase of business. Some special reference may perhaps appear due to a small group of associations of a peculiar type, in which membership is restricted to officers in the army and navy and civil servants, on active service or retired. There are 77 such, with a total capital of 7,028,218 florins and a reserve of 399,103 florins. The amount of money lent

An 'Army and
Navy' Loan
Bank.

out in the year is given as 4,955,344 florins. But there must have been a good many outstanding debts besides ; for the associations had themselves borrowed as much as 1,635,367 florins in the year, in addition to their own cash in hand.

In Hungary credit co-operation has not developed quite so fast. But by this time it has struck root so firmly, more especially among the Magyars and the Saxons of Transylvania, as to make a rapid increase probable in the future. From all that one can hear, the services of the co-operative banks are much appreciated. In 1889 there were in Hungary 576 credit associations, of which only 82 were of the Raiffeisen type. Their entire share-capital stood at 28,676,793 florins—which is more proportionately than in the Austrian—the reserve at 1,773,916 florins. Their savings banks deposits amounted to 24,300,545 florins and their annual lending to 53,968,571 florins.

There are one or two rather interesting features about Austrian and Hungarian credit co-operation, which deserve a passing notice—more especially since two among them, at any rate, may be found to have a bearing upon the problem of credit co-operation, if it ever be taken up, among ourselves.

In the first place it should be interesting to observe the effect of the institution upon the different nationalities, of which the bi-partite empire-kingdom holds a more motley selection than any other state—with members of three branches of the Aryan race, and one of the Turanian, figuring among them. If co-operation possesses adaptability, here is a field in which it may give proof of its merits. In one respect certainly it has failed. For there is no problem which still taxes the skill of statesmen so much as, to induce these different races to co-operate politically. But that only brings

Credit Co-
operation a
Favourite with
all Races.

out in higher relief its efficacy as an economic force. In that aspect co-operation is no respecter of nationalities. Magyar and Italian, Pole and Southern Slav, are as ready to avail themselves of its services as Germans. The Slavs, more in particular, seem born co-operators. In the early days of the co-operative movement in Austria-Hungary, it was the Slav provinces which took the lead. And at the present time they still rank first in respect of numbers. Bohemia alone has 433 co-operative credit associations, Moravia 339, and Galicia 223. Unquestionably the German associations are the best organised, and also the most successful in practice. And it is interesting to note that they have, for the most part, retained unlimited liability, even under a law—a statute much commended—which seems rather to favour limited. Of the 1,489 societies registered in 1890, 769 accepted limited liability and only 720 unlimited. But the latter, including nearly all the Germans, boast the larger roll of members and are unquestionably the best managed.* In their own way the Slavs decidedly have a natural turn for co-operation. Only, the pity is, that they are habitually a little unsteady, and have the devil of politics ineradicably within them, which makes a bad companion in a country of different races, in which ‘the Jews have no dealings with the Samaritans.’ Those early Bohemian associations, which flourished between the fifties and 1870, working cumbrously and with very primitive machinery, but still doing a fair amount of good, were all wrecked by political partizanship, in the days when the struggle between Czechs and Germans was at its fiercest.

Another interesting feature is the preference given to

* For 1886 the figures were: unlimited, 472 members per association, limited, 380. The unlimited associations were then still in a numerical preponderance, numbering 357 associations, with 168,979 members, as against 312 limited, with 118,632 members.

limited liability without—that is a rather important point—any material modification of the rules of the German parent societies. This applies more specifically to the Hungarian associations; for among the Austrian, as has been stated, the largest and the best are ‘unlimited’; and, moreover, generally speaking, in Austria the management is, as Mr Maude has pointed out in our Blue Book, a little lax. In the matter of business, very little difference is made by them between members and non-members—on the ground, Mr Maude explains, of ‘oppressive taxation’ which is held to require an extension of operations. The Austrian Raiffeisen Banks—retaining throughout unlimited liability—differ from their German prototypes more particularly in allowing one member to hold as many as 25 shares (of 10 florins each), which is a modification for the worse; though the voting power is wisely regulated by heads and not by shares. These banks lend out money at from $4\frac{1}{2}$ to 6 per cent. in the orthodox Raiffeisen fashion, asking for a specification of the object and binding the borrower to adhere to the same, and, generally speaking, they allow 4 per cent. on deposits and in some instances even $4\frac{1}{2}$ per cent.

But in Hungary, at any rate in the metropolitan county of Pest, where Raiffeisenism is strongest, even Raiffeisen Banks have adopted—at any rate for the time—limited liability instead of unlimited, though it is a limited liability of the fancy type which makes members responsible for a fixed multiple of their shares:—twice, or three times, or four times the amount. It Transylvania, amongst the Saxon settlers of that province, Raiffeisenism is practised in its absolute purity. And even in the county of Pest it seems not at all unlikely that after a time, once members have familiarised themselves with the novel idea and become aware of its in-

Raiffeisen
Banks with Li-
imited Liability

nocuousness, unlimited liability will be accepted under the safeguards of Raiffeisen rules. But, at the outset, to the cautious Magyars the responsibility demanded seemed excessive. Dr von Jekelfalussy's favourable judgment on the Raiffeisen Banks, as alone 'realising the benefits of co-operation,' has already been quoted. It is interesting to note the opinion expressed by so undoubted an expert, to the effect that, with 'a supporting central institution' for the local institution to lean on, limited liability—'if people shrink back from unlimited'—is sufficient for all practical purposes. That means that, if there is a bank willing to make advances—one bank doing *all* the lending business, and practically framing its own *castelletto*—limited liability on the part of the members may be adequate security for the bank, which naturally limits its credit according to its own estimate of its debtor's solvency. That may in practice involve some inconvenience. However, in our own case, where banking with one particular bank is the universal custom, and associations would probably resort to it as a matter of course, such an arrangement might facilitate business, provided that the association could secure some good men as guarantors. It is not perfect 'democratic' co-operation; but under circumstances it may represent a pretty fair substitute or stepping-stone.*

A further useful hint in the same direction comes from Austria. There, since 1886, there has been a pitched

Raiffeisen's
Triumph over
Schulze-De-
itzsch.

* I am afraid that I shall have to go to Hungary myself to learn the exact *modus operandi* of these Limited Liability Raiffeisen Banks. My first application for particulars was addressed in German to Dr von Jekelfalussy, who replied most courteously in excellent English, but referred me for particulars to a magazine which he was good enough to enclose—written in Magyar. Inferring that German was a *lingua ingrata*, I applied to the writer of the article in French, giving him the choice of English, French, German, Italian, Latin or Greek as a medium of explanation, but elicited no answer. Being advised that the President of the Union of Associations, Count Alexander Károly, would be able and willing, to enlighten me either in English or in German, I addressed myself to him in English, but once more without avail. I know of no one else to apply to.

battle going on between the Schulze-Delitzsch system and the Raiffeisen. The Schulze-Delitzsch system was the first to gain a footing, and by far the largest number of associations now existing work under its rules. But about the year 1886 people grew dissatisfied with it. Very hard things were said about it, alleging that it failed to satisfy the demands which it professed to meet. The administration of the associations was not what it should be; there was speculation, there were losses, there was excessive interest; there was disappointment, and so on. And in the Diet of Lower Austria, the metropolitan province, a sharp attack was made upon Schulze-Delitzschism, which resulted in a vote of funds granted, to enable two expert officers to proceed to the Rhine and examine on the spot the practical merits of the Raiffeisen system. They came back delighted with what they had seen. Their report was wholly favourable. And since that day the Raiffeisen associations are the official and popular favourites. Other provincial Diets have followed in the footsteps of the Lower Austrian. The Austrian Chamber of Deputies has taken favourable note of these associations, accepting Professor Marchet's declaration made in 1889 to the effect that they form 'the only means known calculated to satisfy personal credit in a manner which could be approved.' Herr Schmid, one of the auditors of the Austro-Hungarian Bank, having inquired carefully into the matter, added his testimony: that the Raiffeisen Banks 'are better calculated than any other form of association, in a crisis such as the peasantry, alike of Germany and of Austria, have never before been subjected to, to afford efficient support, not only by actual money help, but also by counsel, and instruction.' With such recommendations the Raiffeisen Banks have pushed their way rapidly to the front, spreading over Lower and Upper Austria, the Tyrol,

Value of
Co-operative
Banks in an
Agricultural
Crisis.

Styria, Carinthia, Vorarlberg, Salzburg, Hungary, Transylvania, and other provinces, and ingratiating themselves wherever they went by good work. The provincial governments were anxious to encourage and, if possible, to help them. The question was, how to do it in a legitimate way. By votes of the various Diets, a grant of 250 florins (about £19) is made to each association newly formed, to defray its first expenses—purchase of office furniture, a safe, books, and so on. And in addition to this, a loan of 2,000 florins (about £150) is placed at the disposal of every association so formed, at the rate of 3 per cent., for not longer than two years, to provide it with the first working funds. That moderate advance appears to have been found adequate, for the associations are everywhere showing signs of active life, multiplying and growing in strength. It is a very limited amount of help, but it suffices to set the wheels turning which, once in motion, provide their own further propelling impetus. The experiment is undoubtedly interesting and its success is satisfactory. In all these institutions, from the Raiffeisen and Schulze-Delitzsch firstling banks, downward, it has always been the first step which involved the most serious difficulty. Here is a help which ought to be within reach of associations in most places, and which certainly is not open to any economic objection, provided repayment is properly insisted upon.

Co-operative
Credit in Swe-
den, Norway
and Denmark.

In the three Northern Kingdoms whose shores are washed by the cold waters of the Baltic and the North Sea, co-operative credit has thus far thriven but poorly. There have been beginnings and strugglings; and here and there a Bank raised up when, under the influence of the Schulze-Delitzsch triumphs in Germany, the co-operative fit was on the nation, has lived down to the present day. But, generally speaking, amid the sparse

populations of Sweden, Norway and Denmark, little fruit of such sort has been brought to perfection. In countries in which in other respects co-operation has become a power, on soil which has brought forth such picturesque co-operative specialities as the Swedish *bergslags* and forges, and, again, such excellently organised associations as the Danish Building-Societies, one would have looked for better things. But the working population—of Sweden, at any rate, Herr C. Krook contends—with their natural contentedness and their ample wages, are too comfortably off to stand in serious need of funds. There is Mr L. O. Smith's *Aktiebolaget Arbetaringens Bank*, of course, and there are in Sweden some thirty People's Banks, in Denmark much fewer, and in Norway scarcely any beyond the *Kristiania Folksbank*, all doing more banking than loaning. However, all these kingdoms have something to shew which in some manner or other congenial to local ways takes the place of People's Banks. Some means of popular credit, it appears, there must be. Denmark, in addition to a few Credit Unions of the Belgian type, possesses some fairly useful 'Aid Associations' and *Monts de Piété*. Norway has Savings Banks, which lend out money pretty largely, chiefly amongst small folk—as would appear from the fact that only eighteen per cent. of the loans granted exceed £28 each. And in Sweden, banks provide the poor with what they want by means of the *Kassakreditiv*, an institution of local origin which has become very popular, alike with public and with private banks, for loans of small amount. Not many years ago the accounts opened in this manner amounted in public banks to £1,112,000, in private to £5,600,000.

In the Netherlands Co-operative Credit has fared little better, owing to entirely different causes. As in

Co-operative
Credit in the
Netherlands.

the days of Louis XIV, it appears, the Low Countries are still the El Dorado of *marchands de boutique*, the traders, who will allow no one to interfere with their monopoly. Co-operation there is as unpopular as is Judaism in Berlin, and almost as fiercely persecuted. 'The opposition of colonial dealers and other retail tradesmen against co-operative associations,' writes Dr Elias to the *Blätter für Genossenschaftswesen*, 'has reached such a point that it has become next to impossible for a member of a co-operative association to have himself elected into a Town Council, into the Assembly of Provincial Estates, or into the Second Chamber.' By the side of that, our own co-operating civil servants may be said to have had a happy time of it under the annual castigations (verbal only) of the late Member for Marylebone. Fortunately for co-operation, there is a First Chamber to hold its protecting hand over the poor outlaws, and a Crown to afford them some little support. There is a very ambitious *Nederlandsche Cooperatieve Bond*, the outcome, by two transformations, of what originally was a sort of civil-service association with stores and banking-tables set up side by side in different districts. Since that did not prove altogether successful, the scattered forces were collected and amalgamated into what soon became an exceedingly serviceable single society, the well-known *Eigen Hulp*, which, in its turn, not content with its modest but substantial laurels, has once more metamorphosed itself, now conceiving the ambitious hope of focussing all Dutch co-operation into one huge and comprehensive organisation. This grand scheme is thus far only on its way to realisation. Apart from this, there are one or two very useful little workingmen's credit associations, something after the style of our 'Slate Clubs,' collecting 10d a month from every member, till the sum reaches 75 florins (£6 5s.). After

that the money is distributed. These associations do some lending to members out of their own funds and funds obtained from deposits (which are taken from 2d. upwards), on which 4 per cent. is allowed to members, and $3\frac{1}{2}$ per cent. to non-members; and some of them are Raiffeisenites so far as to insist that the object of the loan shall be stated beforehand, and rigidly adhered to, on pain of forfeiture of the loan. Repayment is exacted by instalments, and interest is charged at the rate of 1 per cent. per ten weeks, that is $5\frac{1}{3}$ per cent. per annum. A rather commendable feature is this, that on earlier repayment than what is stipulated for (just as among our best Loan Societies) a rebate is allowed, varying from $\frac{1}{3}$ to $\frac{1}{2}$ per cent.

It is very interesting to watch the gropings of Russia Co-operative Credit in Russia.—in one aspect one of the oldest homes of co-operation in Europe—after an efficient and popular system of co-operative credit, to supply that working capital which is nowhere more urgently needed. There have been many tentative beginnings, such as, in the country of the *artèles*, one would have thought, must have led to some satisfactory result. But the country is as yet still too much in Government uniform for anything to succeed in which self-help forms an essential factor. Some of the early experiments, indeed, were not without promise. ‘*La Russie marche bien*’—wrote M. Brelay only six years ago in the *Économiste Français*. And in 1883 Russia could boast that she had exactly a thousand co-operative associations, with 207,259 members and £1,216,960 share capital, and lending out in the year £3,819,920. Since that time, however, things have gone backwards. The number of associations has dwindled from a thousand to below eight hundred. In truth, even the thousand had more of show about them than of reality. It is Government harassing—the hard and fast rules forced

upon associations from above, interference, supervision, and restriction—which is killing co-operation. How possibly can credit co-operation succeed while the Government categorically forbids associations to expel members? How is it to keep so much as solvent, while members, being indeed limited in their borrowing to ‘productive’ purposes only, are allowed to evade that wholesome provision by first improvidently disposing of their ‘productive’ possessions, in order then to have an excuse for claiming association money for their re-acquisition? That seems a device specially contrived to facilitate improvident borrowing. Thirsty moujiks know well enough how to adapt their practice to so accommodating a rule. They sell their seed-corn, their horse or their cow, and, having orthodoxly got through the sale money in vodka, they have a splendid pretext for falling back upon the funds provided by philanthropic capitalists. Since the law prohibits the taking from them of their horse, their cow, cart, sleigh, harness, implements, farm buildings, seed corn up to twenty-five *pounds*, clothes, and food and fuel sufficient for one month’s use, in satisfaction of any debt, in this little manoeuvre they are perfectly safe. The whole thing has been turned into a farce and a caricature of self-help.

Co-operation made a fairly good start in Russia among the German settlers under the Empress Catherine. Since then the Crown has tried its hand at the problem; great nobles like Count Araktschejeff have done the same; and M. de Louguinine, a zealous and genuinely philanthropic disciple of Schulze-Delitzsch, some time back devoted himself with fervent earnestness to the charitable work. He may be regarded as the ‘father’ of modern Russian credit co-operation, such as it is. Other good men have bestirred them-

selves—M. Khitrowo, M. Jakowlew, M. Van der Vliet, M. Stokolowski, Dr von Keussler, and more besides. Yet with all this the movement has made but little way except among the Germans in the Baltic provinces. That is an exception which fully proves what everybody who has looked into the matter insists upon, outside Russia and in it, namely, that it is Government interference which fatally checks the movement. Give it but a little liberty, as in the Baltic provinces, and at once it thrives, according to circumstances. There are now in the Baltic coast-land 69 associations, not including some new Raiffeisen associations recently formed. Dr von Keussler in the *Baltische Wochenschrift* owns to an opinion that the latter are far better qualified than the Schulze-Delitzsch societies to prosper in his own country. The Schulze-Delitzsch associations, he objects, are not at all suited to local circumstances. Outside the Baltic provinces, in spite of very zealous encouragement given by the *landschaften*, by nobles, and by Government authorities, credit co-operation is but vegetating in a languid way, losing more ground than it gains. Of the 1,438 associations formed, in all, less than 800 survive. Of these last year 699 sent in returns for the year 1890, showing a member's roll of 200,950, a collective share capital of 6,160,391 roubles, and a reserve of 1,274,426 roubles. A larger number of associations (728) reported a total business (money spent and money received) of 79,062,058 roubles. And 722 reported loans issued to the amount of 16,067,929 roubles. For a country like Russia that is nothing. And it cannot be said that the instinct of the people is against co-operation. Education, no doubt, is deficient, and that is a hindrance. Poverty is great. But in other applications of the principle, Russians show themselves born co-operators. Not a work is undertaken

but the men form themselves into a co-operative *artèle*. And that institution works, on the whole, very well. The one fatal obstacle in the way of success of co-operative credit is Government interference, kindly intended, no doubt, but of its very essence so inimical to co-operation that where it is the other cannot thrive.

Popular Credit
in Spain and
Portugal.

In the Iberian peninsula, to which we owe some of the earliest examples of combination for purposes of credit, such as the *compañia gallega* and the *sociedade familiar*, self-help has, in its modern application, thus far made very little headway indeed. In Portugal, where, according to Senhor Goodolphim, interest runs high—for accommodation loans for poor people up to 100 and 200 per cent.—and where usury is rampant (Lisbon alone boasts sixty-five pawnshops), a formal resolution in favour of cheap credit has been put on record by the Agricultural Congress held in 1888, calling upon the Government to place funds for lending out at the rate of $3\frac{1}{2}$ per cent. at the disposal of cultivators. This request will probably be acceded to when there is found to be sufficient public money available. In Spain, where Señor Diaz de Rabago informs us that amid a general lassitude there is so little demand for money that even usurers cannot obtain more than 10 or 20 per cent. for loans, things have not yet matured so far. The *Monti de Piedad* cannot find borrowers enough to take their ready cash off their hands, and, incredible as it may appear, for a good spell of time there was a treasure of 189,697,026 reals (£1,900,000) available in the country for popular credit (£84,000 being in cash), of which from the Crown downward nobody had the slightest inkling. On the 15th of August 1849 the Minister of Finance having chanced to read in a history book what must have made his mouth water, about the wealth of the ancient *Positos*, caused an inquiry to be addressed to

The 'Positos.'

the provincial authorities asking if there were any such institutions still in existence. There was no answer returned. In 1850 the inquiry was repeated. After a good deal of searching and rummaging at length in 1863 it was discovered that there were still 3,418 *positos* surviving, possessing between them the treasure already mentioned. The institution is so peculiar that I do not like passing it by without a brief notice, albeit it is not based on either self-help or co-operation, but really represents what to some economists is the *beau ideal* of a public aid institution, a fund belonging to no one, and devoted wholly to lending among the poor. The Portuguese have in times past possessed similar loan-funds, going by the name of *celleiros communs*. But these have long disappeared from the face of the earth. For its *positos* Spain is beholden to King Philip II, who somewhere about 1555 or 1556 set the example of founding them, all over the country. They were originally really granaries, over which were set public officers having orders to distribute corn from them in time of famine to the poor at their discretion, on condition, of course, of its being returned. Spain was rich then, and pious, and hundreds of people followed the king's example. The Cardinal de Belluga alone founded thirty-two *positos* in Murcia. Cardinal Cisneros founded two very large ones severally in Alcala and in Torrelaguna. By 1558 there were some twelve thousand in existence. In 1584 the king ordered an inquiry into their wealth and administration. The value of the corn stored is said to have been something prodigious. But the administration was anything but perfect. When famine came, the Governors, with a sound commercial instinct, lent away what grain was available to themselves, selling it afterwards to the poor at high prices. This was soon put a stop to, and the *positos* went on

flourishing till, what with the ravages of wars and revolutions and the growing needs of the Crown, serious inroads were made upon them, materially reducing both their number and their wealth. When Napoleon I overran the land, the small balance remaining was prudently hid away for safety—and then was forgotten, to be unearthed once more in 1863. By a law passed in 1887 the administration has been completely reformed. The treasure has all been converted into money, which the *gobernador civil* of each province is at liberty to lend out at the rate of $\frac{1}{2}$ per cent. per month at his own discretion—but also more or less on his own responsibility, which he takes care to safeguard by demanding sureties or other security from the borrower. According to Señor de Rabago's testimony, the *positos* are now doing fairly good work, though it is not certain whether they will be allowed to go on for very long. For not a few economic reformers appear to have cast a covetous eye upon them with a view to other employment. The *Monti de Piedad* do a great deal of lending, though only a comparatively small portion of it to poor people, for whom their service was intended. In 1890 out of £2,320,000 money available they advanced on pledges only £320,000, seeking a market for the other £2,000,000 among the better-to-do classes. In the rural districts the joint-stock *Banco Agricolo de Segovia* has begun a promising business of popular lending, for long terms (7 years), at reasonable rates and in very small amounts, down to £2. The borrowing is made particularly easy by a rule adopted, which indeed demands that the principal shall be repaid by annual instalments, but allows two years of grace during which only interest is collected. In such small loans, never exceeding £40, the Bank has in eight years lent out, to the poor cultivators of the *métayer* and *enfiteuta* class £586,700, and has, according

to the testimony of its managing director, Don C. Leccay Garcia, never lost a farthing. Such experience, which does credit to the Spanish peasantry, suggests the question, whether elsewhere respectable banks might not find it worth their while to take some of this business out of the hands of usurious loan societies, alike for the benefit of their poorer neighbours and also for their own profit.*

I do not like concluding my stroll through the Diaspora of Credit Co-operation without just mentioning the co-operative banking, which General Tcheng-ki-Tong some years ago told a Paris audience has been practised time out of mind in his native country of China, and more particularly in the specifically agricultural districts, such as his own native province, Fo-kien. He does not explain their work in detail, but he calls them *banques mutuelles*, and he assures us that they have yielded exceedingly satisfactory results, without the drawback of any misadventure. No small peasant, he tells us, who wants to carry out some structural or agricultural improvement, is ever at a loss for money. In his own little district his neighbours know him, and if he is considered trustworthy they do not hesitate to let him have what he wants. Under all circumstances, supposing him to have been elected, he is entitled to borrow twice the amount of his own share. Money seems plentiful, because all the local savings find their way into the Bank. The peasants are, according to the General's description, generally prudent and shrewd, and, understanding the value of agricultural improvements, they are not loath to let others have what they themselves are sure to want some day. A Chinese proverb has it that 'The land is the

Co-operative
Credit in China

* While correcting these proofs I am informed that a well-known Bank in Cornwall has actually adopted such a practice, with satisfactory results.

great debtor of the nation,' absorbing all its surplus money. And in practice it is found a safe debtor, who repays the money lent to him with ample interest. Much of that proverbial productiveness, for which the popular districts of China have become famous, and that never-resting industry of its people—which, there, as everywhere, requires the stimulus of a reward to keep it moving—the Empire of the Rising Sun is shown to owe to the simple but useful contrivance of co-operative credit, established among its toilsome peasantry, and providing them with the material on which to expend their ready labour. In an humble and unostentatious way, these banks are said to have done, each in its own sphere, an immense amount of good.

In Japan.

In the past year Japan has made some progress towards following in the footsteps of China. For in its island realm Heizo Ittö, a disciple of Signor Luzzatti, has constituted himself the apostle of Credit Co-operation among his own countrymen, with, it is said, every prospect of success. And so the girdle of co-operative credit seems to have been carried pretty well round the globe; for in America, too, such credit is understood to have already tentatively planted its foot, by way of first seizure of the territory, with every intention, as it appears, to stay.

CHAPTER VII

THE 'BANCHE POPOLARI' OF ITALY

FROM an English point of view no form of co-operative credit established abroad is likely to command a greater amount of interest than that which has found a congenial home in Italy. The two German systems, excellent as they are, there is no denying it, present themselves to our commercial instincts as unfamiliar and outlandish. To Italy, the parent of European banking, trained through centuries in habits of business which by adoption have become our own, belongs the credit of putting the uncouth principle into presentable garb and minting the excellent gold, raised on the banks of Elbe and Rhine, into currency which may pass from mart to mart. When Signor Luzzatti began his excellent work, Italy stood in sore need of some such form of popular credit. Usury was rampant, and no less exacting than when in 1430 the Seignory of Florence had found itself compelled to call in the aid of the Jews, in order by their intervention to check the extortionate rapacity of Christian money lenders—and, again, when the three Franciscan friars, a little later in the same century, in pity for the suffering poor, gave to the world the valuable institution of the *Monti di Pietà*, which to us are known only in their deteriorated form. In the nineteenth century, according to Signor Luzzatti it

Peculiar Interest attaching to Italian Credit Co-operation.

behoved Democracy to render to the poor the same service which in days of greater youth and energy the Church had discharged, and to draw its sword for 'War with Usury (*guerra all' usura*).'

Moreover, the country was commercially undeveloped, if not unsound. Protracted divisions and oppression had kept it poor in the main sources of national production. The country which had taught all nations banking possessed little commerce; the country in which the Georgics were written owned an agriculture little advanced upon that which Virgil had described. Many attempts had been made to provide help. As Spain had her *positos*, so Italy had her *monti frumentari*, her *monti nummari* and *monti dei Paschi*.* Governments had sought to furnish assistance in their own paternal way, and even while Signori Luzzatti was taking up his economic apostleship, ministers like Signori Torelli and Grimaldi might be heard strenuously urging banks and public corporations to make their funds available for rescue of the needy. The measures taken had the effect of bringing relief in the shape of reasonable credit to some *large* proprietors. But to the poor their result was *nil*. All this government and capitalist meddling and peddling evidently was powerless to ensure real and lasting improvement.

Non-Co-operative
Experiments in Popular
Credit.

Better success had attended the useful reconnoitring work which two different classes of banks had tentatively ventured upon in the field of popular credit, pointing the way—dimly and vaguely, it might be, but still, generally speaking, correctly—for more thoroughgoing reform. The Italian Joint-Stock Banks have de-

* All these institutions did good work, but work purely charitable. In 1878 there were still 1,465 *monti frumentari* (or *pecunari*) in existence, dispensing between them 14,781,998 lire in loans. They were practically abolished, compelled either to convert themselves into institutions of a different type, or else to close their doors, by a law passed in 1887.

tected very much sooner than any of their sister-institutions elsewhere the immense value of what may, by analogy, be termed third-class traffic—the banking business of those millions of comparatively poor people, who make up by their numbers what they lack in individual wealth. By a variety of little experimental expedients they had studied to attract such humble customers to their counters. The Savings Banks did even better. The Italian Savings Banks have the reputation of numbering among the best-managed in the world. Evidently they have a thrifty people to deal with, pouring in their millions of lire with a readiness which sometimes appears to become almost embarrassing. In addition to the Post Office Savings Banks, scattered all over the country, and enjoying certain peculiar privileges—such as the power of collecting small savings down to the amount of 5 centesimi (a halfpenny)—there were in 1883 no fewer than 356 other banks in Italy, holding between them deposits exceeding 742,000,000 lire (£29,680,000). Of that sum only 154,000,000 lire was laid out in mortgages. For the remainder, if it was not to remain ruinously idle, a use must be found in small loans, under powers which practically leave the directors *carte blanche* in respect of their investments. Still, with all these aids—and others which I need not stop to enumerate—the great national want remained unsatisfied, even though banks and savings-banks had often more money than they knew what to do with. Means and end did not fully agree—the machine was evidently not adapted to its work.

Signor Luzzatti, with the shrewdness of a born man of business, discovered what was needed. He began his work in 1863, when still quite a young man, and proclaimed to the world his ideas upon 'The Diffusion of Credit,' in a little book which at once fixed attention

upon its author. He had learnt credit co-operation in the school of Schulze-Delitzsch, and to this day to his admiring eyes, Schulze-Delitzsch—though in more respects than one he himself has departed from, and in some points even reversed, his practice—remains ‘*il sommo maestro della cooperazione.*’ But he also perceived very clearly, that a mere mechanical copying of Schulze-Delitzsch’s system—such as was about the same time carried out in Belgium—must inevitably lead to disappointment. The circumstances of the two countries were too widely different. Moreover, it is plain that from the outset he perceived that Schulze had burdened his work with too complex an apparatus and too great a variety of objects, and had weakened it by relying on too large a number of supports not quite reconcilable among themselves. To answer in Italy, the machinery applied must be simple and business-like, and of a distinctly local type. Improving with a happy skill upon Schulze’s work, Signor Luzzatti produced that of which he might well say with justifiable pride:—‘We have not copied an institution, but produced a new type and, impressing upon it the stamp of Italian originality, we have created the *Banche Popolari.*’

TheOriginality
of his Work,

Experience has amply justified his independent action. His work is not perfect. What is? In view of well ‘*étagées*’ banks, reaching down to modest working-men’s establishments with four-shilling shares, and of large sums of money annually distributed among the poor by means of an instrument which has become the peculiar glory of the *banche popolari*, one cannot well in the present day maintain the charge to which in a manner Signor Luzzatti himself at one time pleaded guilty, namely, that of neglecting the poor—whom he referred to friendly societies as his follower Signor Levi does to the *monti di pietà*. But his banks still, naturally, fail to

minister adequately to the wants of small agriculture.* However, we cannot have an omnibus to carry a load of people along the well-paved streets of a town, which shall also serve as a light buggy-cart, to jolt the isolated peasant over his rough mountain tracks. Within their own sphere—a large one, and one in which cheap and easy credit is of inestimable value—the *banche popolari* render invaluable service, and they render it with a business-like ease and smoothness, with a readiness and adaptability to circumstances, which make them on their own ground a model of excellent execution.

If Schulze's system was to be adapted to Italian wants, the first stumbling-block to be cleared out of the way, Signor Luzzatti clearly saw, was that obnoxious principle, unlimited liability. In Italy, in spite of Francesco Viganò's vigorous pleading in its defence, that would never do. 'Our people would never have joined an association which threatened them with such grave danger,' frankly avows Ettore Levi. Giustino Fortunato goes so far as to say that in the Southern provinces of the kingdom the adoption of unlimited liability must have made co-operative credit 'absolutely impossible.' Sir J. Lumley in his Blue Book Report wholly confirms this opinion. 'Unlimited liability,' he says, 'would have deterred persons of means and education,

Luzzatti rejects
Unlimited Lia-
bility.

*It is but fair to state that Signor Luzzatti and his friends deny this. Signor Luzzatti some time ago declared that his banks had been the means of advancing to agriculture in his country no less than 80,000,000 lire (£3,200,000). M. Durand challenges this, as by a long way an over-estimate. In 1889 Signor Luzzatti had statistics prepared shewing the composition of 399 *banche popolari*, and found that out of 234,073 members of these as many as 52,085 were small agriculturalists: peasant proprietors and *métayers*. Generally speaking, however, there can scarcely be any doubt that small agriculture has not received nearly adequate benefit from the *banche*. M. Durand frankly states that up to the time when Dr Wollemborg provided for it popular agricultural credit did not exist in Italy. That is no reproach to the *banche*. Excellent for other purposes, for that purpose they are not adapted. Hence the welcome afterwards given to the Wollemborg *casse*, which meet the case of a needy peasantry, but would be out of place where Signor Luzzatti's *banche* thrive best.

and at the same time the character and habits of the people themselves would have disinclined them from entering any association involving so great a risk.' Signor Luzzatti himself, condemning unlimited liability, pronounces it 'an economic tradition of Germany descended from the propertied classes to the poor.' It was reserved for Dr Wollemborg to show how it might after all be made palatable to the Italians. But that was under totally different circumstances.

Circumstances
favour his En-
terprise.

But if unlimited liability was to be rejected, on what security were funds to be obtained? As it happened, there were forces at work which at the outset helped the constructor of the new system not a little. There were vast stores of money lying ready to his hand, whose owners were not only willing, but even eager, to let him have them, if he could at all satisfy them of his trustworthiness. 'In doing so,' says Signor Luzzatti frankly in his Annual Address of 1889, 'they have only consulted their own interests.' But all the same he gratefully acknowledges the ready and most opportune assistance received, alike from the large savings banks, with their hoards of unemployed money, and from the trading banks, anxious to extend their custom. The latter actually 'vied with one another,' in their efforts to take the new People's Banks under their 'maternal guardianship.' The Banco di Napoli offered to discount bills at 1 per cent. under the ordinary bank rate. The Banco di Sicilia was ready to find four-fifths of the capital required for starting even a considerable number of *banche popolari* within its own district. Under the law as it stood that proved impracticable. But the good will from which the offer proceeded remained available for other methods. On the face of it, if the popular banks wanted to exist any time, they must be honest. And Signor Luzzatti and his friends had too much at

stake in their reputation to play recklessly with their new instrument of credit. The public banks resolved to trust him, and they have had no cause to regret it. The new custom has opened to them a vast additional field of business, all the trouble of cultivating which falls to the share of the People's Banks, leaving to themselves nothing but profit.

There was another helping force which at their birth stood the new *banche* in good stead. 'We have issued,' says Signor Luzzatti in one of his Addresses, 'from the maternal womb of the friendly societies (*delle viscere materne de quei sodalizi di reciproco aiuto*).' Friendly societies were well developed in Italy. The point is of importance to ourselves; because it marks one of three great similarities of direct bearing on the establishment of People's Banks, which link us Teuton English, across the dividing gulf of very dissimilar France, Germany and Switzerland, with the Latin Italians. Our common features are:—an equal familiarity with business, more especially banking; some strikingly similar traits in agriculture, of which I shall have to speak later on; and the hold which the provident principle, as expressed by friendly societies, has secured upon the mass of the people of both nations. The first and third of these features have been of very material help in the formation of the *banche popolari*. And if we are ever to have a similar institution, it will probably be built up on the same foundations, and may very well issue, as in Italy, from the 'maternal womb' of the friendly societies. The friendly societies of Italy at once saw the social and economic value of Signor Luzzatti's idea, and took it up readily. His first experiment was made in connection with a friendly society of Lodi. The societies were, of course, wholly debarred by their rules from practising the new principle themselves. But if they

The Banche
issue from 'the
'Womb of the
Friendly Soci-
ties.'

could not convert themselves into loan banks, they could at any rate supply the *banche* with members and secure to them support by making their system understood among those for whom it was mainly intended. From the first they stood by the *banche*. The two have become sworn allies. And the *banche* have had many an opportunity of repaying the favour of early support by substantial pecuniary services rendered when they had become strong.

Schulze's System simplified and reduced to bonâ fide Banking.

Unlimited liability having been ruled objectionable, to what extent would Signor Luzzatti go with his 'master' on other points? The German banks of both systems were essentially *borrowing* banks. Schulze, it is true, did a little bill-discounting, as he did a little of almost everything that lending institutions of the most various kinds engage in. That 'little of everything' Signor Luzzatti at once decided upon throwing overboard, as complicating business and conducive to weakness. And, in spite of adverse opinions expressed in Italy by Montanari and Fortunato—who were both in favour of borrowing—he elected to make the support of his own associations to consist, not in borrowing, but in the discounting and passing on of bills of exchange. A bank, he held, must be a bank—whatever its object. Borrowing must needs mean dependence upon others, and put the whole body of transactions into a shape unfamiliar to Italians. Bills and current accounts they all understood. A bill might serve as medium alike for lending and for borrowing. It would keep the business simple, the money always 'mobilised'—readily convertible. A bill, in fact, is the banker's currency, as coin is that of the public.* The heads of Italian People's Banks

Advantages of Bills of Exchange.

* A form of bill particularly recommended by the late Signor Mangili is that which was first introduced into this country under our 'Bills of Exchange Act, 1882' making bills of exchange repayable by instalments.

now ascribe much of their success to the perpetual state of readiness for all contingencies which they owe to their 'ever mobilised portfolio.' In the crisis of 1880 the People's Bank of Poggibonsi found itself hard beset. Upon the strength of its little capital of 90,000 lire (£3,600) it had taken 503,000 lire worth of deposits (£20,120), and discounted 550,000 lire worth of bills (£22,000). Under the circumstances its ruin would have been inevitable if it had not held its funds in bills which could be readily realised. The 'miraculous development (*meraviglio sviluppo*)' of his principal bank, the *Banca Popolare* of Milan, Signor Luzzatti himself ascribes mainly to its consistent practice of meeting all calls made upon it, even when it had a right to 'notice,' with the cash payments which its 'ever-mobilised portfolio' made always practicable. There appears to have been another reason prompting the founders of the *banche popolari* to decide in favour of bills as their main medium of exchange, which seems less conclusive. Their object was, like Herr Raiffeisen's, to lend for *productive* purposes only, to supply on credit working capital for trade, commerce or agriculture. And as Signor Levi explains his master's views, he held that as a rule a bill stands for a productive transaction at its inception; an ordinary loan for a transaction already completed, upon which there is a deficiency. A tailor buying his cloth to make clothes of, gives the manufacturer a bill, to mature when he has realised his profit. The man in difficulties, who cannot meet a bill previously drawn, comes to the bank for a loan. That may be so in Italy; it does not necessarily apply elsewhere. To banks in an assured position, however, bills offer another substantial advantage: they become a direct source of profit, over and besides their convenience, inasmuch as, with the new signature on

their back, they are negotiable at a lower rate of discount.

Shares.

On all these grounds Signor Luzzatti resolved to found his banking practice mainly on bills of exchange (and current accounts). He issues shares—like Schulze-Delitzsch; not so high as those which Schulze-Delitzsch began with, but on the other hand he is a little more exacting in respect of time allowed for payment. The shares must be paid up within ten months on pain of forfeiture. In addition, he will have an entrance fee, to serve as the beginning of a reserve, but mainly as an earnest money, to be forfeited in case of withdrawal. That makes things a little harsh for poor folk, as M. Durand points out. If there is—as happens, for instance, in the pattern bank, that of Milan—50 lire to pay for the share, and 25 lire as entrance fee, all within ten months, the tax becomes a little heavy for a poor working-man. But at the outset Signor Luzzatti did not care to have very poor men. They must go to some charitable or friendly society, in order, by its support, to raise themselves to a position in which they would hold a little stock of their own, and so become ‘ripe’ for the *banca popolare*. In course of time things have adapted themselves to circumstances. There is no more encouraging feature about Italian People’s Banks than this, that one of them is never set up anywhere without calling up within very little time a family of others clustering around it to serve for different *clientèles*—more or less pretentious, as the case may be. By the self-evidence of its advantages the business seems to propagate itself. Thus, around the *banca popolare* of Milan have sprung up, in that city alone, eight new banks, as on a graduated scale; round the Bank of Bologna five; round that at Naples twenty—all of them more or less *étagées*, ‘ranged in tiers,’ suiting their requirements to their own peculiar public, and

Étagées Banks,

issuing shares of from 5 lire (4 shillings) up to 100 lire (£4). A rather curious feature about these shares is, that as the bank improves in position, they are issued at an advanced rate, the *agio* being in every case fixed by actuarial valuation and advertised in the monthly *Bollettino*. It varies materially. In many cases there is none at all. In others it amounts to but a few centesimi. At Nereto, in 1889, it stood at 15·30 lire on the 50 lire share: at Milan, in the *Banca Cooperativa Milanese* at 25 lire on 50; at another place at 50 lire on 80; at Lodi at as much as 45 lire on 60. Shares are withdrawable, of course; members may resign, as in Germany. Comparatively little use appears thus far to have been made of this privilege, and no danger whatever has arisen from it to the *banche*. In any case, of course, the entrance fee remains the property of the bank.

Shares no doubt help a bank, based on the limited liability, up to a certain point. But in view of the work undertaken, their support, after all, goes only a very short way. If the bank is to be at all useful, very much larger funds have to be raised. For a short time after their foundation the *banche* (being, under the old law, nothing more than ordinary joint-stock companies) enjoyed the questionable privilege of issuing notes, for the value of which securities had to be deposited. The notes issued were mostly 50 centesimi notes—fivepenny paper. In 1872 they issued of this as much as £1,022,700. The privilege was withdrawn in 1874, and the banks appear to have done all the better for losing it. While it lasted, it helped them in respect of cash only a very little, in comparison with their needs. If the banks wanted to coin working capital by receiving savings and ordinary deposits, and passing on bills, they must first of all secure sufficient confidence with the

Funds raised
by the Issue
of Notes.

'The Capital-
isation of
Honesty.'

public, and credit with the larger banks. Without unlimited liability, how were they to accomplish this? Signor Luzzatti had his answer ready, but it staggered his countrymen by its 'Utopian' boldness:—the banks were to 'pledge (*ipotecare*) their honour,' to 'capitalise their honesty.' The great source of their credit was to be their 'high reputation for honesty and solvency (*la grande riputazione di onestà e di solidità*).' It sounded ambitious, but it has been made true, and at the present day, and since a long time, the high reputation of the *banche* is in very fact the main pillar of their strength, enabling them to stand safely amid a troubled sea, during storms as severe as the commercial world has ever witnessed.

Excellence of
Italian Man-
agement.

One great cause which has led to this high reputation Signor Luzzatti, in reckoning up the elements of the almost miraculous success achieved, modestly ignores—namely, the remarkably skilful management under which the banks have found themselves from the beginning, the business-like practices and the astonishing resource of those who were placed at their head. A mere glance at their work must be sufficient to shew that, as M. Léon Say puts it, after a close inspection, these banks are 'as skilfully organised as if the best actuaries of London and New York had given their help.' '*Toute cette organisation est remarquable comme ordre, ingéniosité, rapidité, perfectionnement technique.*' Balance sheets, the smooth flow of business, the remarkable order prevailing throughout, all go to prove this. Co-operative credit appears indeed to possess a gift of instilling sound business habits and business methods into its adherents. We have had occasion to notice precisely the same thing in connection with the German Raiffeisen Banks:—it is all order, regularity, exactitude, down to the minutest detail. From an actuarial point of view, however, this

Italian business, with its technical banking and a perfectly astounding multitude and variety of operations, is a different thing altogether from the elementary simplicity of Raiffeisen work, which, in its own sphere, is one of its chief recommendations, but which seems scarcely suited to the Italian *banche*. Signor Luzzatti was, at the outset, assisted by a curious piece of luck. The first *banca popolare* had been but a few days in existence when a monetary crisis, throwing all business into confusion, furnished to its founders an opportunity for showing their ready resource and, by using it skilfully, to raise their bank at once into public favour and reputation. The late Felice Mangili, who was Secretary of the Bank, relates the incident in his *Mémoire—Festschrift* the Germans would call it—published in 1881. Barely had the Bank of Milan opened the doors of its modest office in 1866, when Italy was plunged into war. In the then state of affairs that meant a financial crisis, and the Italian Government, by way of aggravating it, had preceded the opening of hostilities by enacting forced currency for the notes issued by the National Bank. There was general consternation. The *disagio* went up to 10 per cent. The Savings Bank of Milan alone lost about 800,000 lire before it rightly knew where it was. The public were in a state of ferment, and serious disturbances were apprehended. The *banca popolare* promptly came to the rescue, offering to issue *buoni di cassa*—bonds, or bills, that is, not notes—for small amounts: five, three, two lire, against security. The public jumped at the opportune suggestion. The Giunta Municipale readily approved it, and the printing press was at once set at work with admirable effect. A serious crisis had been averted—and the reputation of the *banca popolare* was made. Within a year the

number of its members rose from 400 to 1153; its capital grew to 217,000 lire, its reserve to 7,902 lire; at the end of the year it had discounted 687,606 lire worth of bills, had received 341,251 lire of deposits, the total of its transactions stood at 10,957,086 lire, its profits at 16,030, it was enabled to pay its members a dividend of 5 lire per share, that is, 10 per cent. The ship was fairly launched and sailing along with a favouring breeze in deep and smooth water.

That was not the only instance given of happy resource. Whatever demands arose, by some new and ingenious device Signor Luzzatti and his friends knew how to meet them. For long borrowing they invented the interest-bearing bonds for fixed terms (*buoni fruttiferi a scadenza fissa*); for long lending, which the requirements of agriculture rendered imperative—a sore *crux* it was to Italian financiers—the *cartelle agrarie*. Both these things have become established institutions. No doubt all this skill and resource stands for a great deal in the success achieved.

‘Moral Guar-
antees.’

But the main supports upon which Signor Luzzatti designed to rely in his ‘capitalisation of honesty’ were the very simple ones of careful discrimination in the selection of members, which should constitute the mere act of election a pledge of the member’s trustworthiness; and, moreover, full publicity—a regular, frequent and frank publication of balance sheets, capital account, etc., relating to each bank. ‘The best and safest guarantee of prosperity,’ Signor Luzzatti himself says, ‘is the moral worth of the member. The very life of co-operation is bound up with the moral worth of members, and the more it is assured by strict (*austere*) guarantees, the more readily will money flow into our banks.’ He would not shrink from expelling unworthy members. And hence *la grande riputazione di onestà e di solidità*,

which to-day places the *banche popolari* abreast of the best banking institutions. On the free and full publication of all details affecting the position of a bank the 'father' of Italian Co-operative Credit lays equal stress, holding it the more imperative, the younger is the bank in question, and the greater accordingly is its need for making good its position. Its balance-sheet is to serve as its brief of trustworthiness. Of what publicity will accomplish, when coupled with strict discipline, the experience of the little Bank of Montelupo (Florence) furnishes in a small way a noteworthy illustration. The place in which it set up its counter is a sort of rural Whitechapel, with a poor population earning a bare livelihood mainly as *stovighi*, that is, makers of the cheapest kind of lucifer matches. Of these poor folk 375 started a *banca* with 10-lire shares, to be paid up in ten months. Accordingly they began with but £15 between them and never got beyond £150 of share capital, even at the end of the year. Notwithstanding this, with the help of their *riputazione*, and of publicity, in the very first year they managed to attract £1,120 of deposits and to lend out £1,240 in loans, netting a profit of more than £120, which nearly repaid the shares. Of late, in the matter of publicity the Italian Government has come materially to Signor Luzzatti's assistance, requiring from every bank, co-operative or otherwise, a monthly return of its transactions, which is promptly published in the official *Bollettino*. The statistics so collected would be more valuable did time admit of their being summarised. For a private person to undertake this, seems almost an Herculean labour. But as a clue to the position of any particular bank the monthly bulletins are perfect. Besides the *Bollettino*, according to the statute, every year a summarised *Statistica* ought to be issued. But the Ministry of

A Match-makers' Bank.

Agriculture and Commerce, which attends to these matters, has at the present moment not got beyond the publication of the returns for 1889.

The Success of
the Banche
Popolari.

With such simple means as those indicated have Signor Luzzatti and his lieutenants, Signori Pedroni, Mangili, Manfredi, Cavalieri, Concini, Levi, etc., in comparatively brief time built up a fabric which in the words of M. Durand may well be regarded as 'the envy of Europe'—a fabric, which, as a financial power, ranks side by side with the Rothschilds; which does a full third of its own country's banking; and which through its thousands of channels dispenses annually a stream of millions, trickling down to the very spots on which help is most needed, and bringing forth prosperity in trade and agriculture, planting comfort in myriads of homes, and feeding, by the enlarged market which it supplies, the commerce and industries of Italy. The whole thing seems miraculous, and at the outset one would have believed anything rather than that it could have been accomplished.

Their Savings
Banks.

As an encourager of thrift there could not be a more effective agency. For Signor Luzzatti insists that every *banca* should be also a savings bank; and in this capacity the *banche* have become the favourite savings banks of all in their country—not because, as Mr Hodgson Pratt suggests in his lecture delivered in 1887, they allow a higher rate of interest ($\frac{1}{2}$ per cent. more) than the public savings banks. The official return published shews the rate of interest to vary considerably in individual banks, descending as low as $2\frac{1}{2}$ per cent. (which is below public savings bank rate), and rising in some instances as high as $6\frac{1}{2}$ per cent. The reason why the *banca popolare* savings bank is the general favourite seems to be, that it is the local people's *own*. What with the Post Office Savings Banks spread out

all over Italy, protected by an impost of $1\frac{1}{2}$ per cent. levied in their favour on other savings banks,* and some 400 communal and private savings banks in addition, all thriving and doing well, one would have thought that the ground must be pretty well occupied. However, wherever the *banche popolari* have set up their offices, their local savings bank has become one of their most appreciated features, and in 1889 they held collectively 210,835,573 lire (£8,433,424) of savings money in their tills. The *Banca Popolare* of Milan alone in 1890 held 35,500,000 lire. The little *banca* of Lonigo, which from being a *succursale* of Vicenza in 1877 set up as an independent little establishment, with a capital of 150,000 lire (£6,000), held in 1890 1,522,728 lire of savings banks deposits, in addition to 1,213,706 lire of other deposits (practically also savings) and 366,677 lire balances on current accounts. '*Voilà plus de 3,000,000 lire d'épargne constituée goutte à goutte*,' remarks M. Rostand. And he goes on to explain:—'the local Post Office Savings Bank has few customers; as happens everywhere where the initiative is strong, these intelligent workers prefer independent private action to the action of the State, and understand the advantage which they derive from carrying their money to a place from which it will return to them as a fertilising dew in the shape of loans or the discounting of bills.' That is one main element of their success. The small folk understand—like their co-operative brethren in China—that their money remains with them, to benefit the district. 'But for that institution,' Sir J. S. Lumley quotes Signor Luzzatti as saying, 'the whole of the savings of Lombardy would be concentrated at Milan, and the blessings of commercial and

* It is this which prevents the *banche popolari* from taking half-penny deposits.

agricultural credit would be unknown, not merely in small places, but even in large towns such as Bergamo, Brescia, Cremona, Pavia, Lodi, etc., where the savings deposited in Savings Banks amount to millions of francs.' The *banche* are antagonistic to monetary 'wens,' they localise and decentralise. Another fact which will help to account for their success is, that at the option of the depositor they issue small *livrets* (savings bank books) either by name or to bearer. Alike to banks and to depositors the latter form is by far the most convenient, and hence more than nine-tenths of the books issued are made payable in that way.

History of the
Movement.

However favourable circumstances might in the course of practice turn out to be, in 1863 and 1864, when Signor Luzzatti entered upon his crusade against usury, he found himself face to face with a task of no little difficulty. He had his 'plan of campaign' ready. But his army for fighting it had still to be enlisted. He cannot have been in a better position for beginning operations in Italy than would be an apostle of his economic gospel in England at the present day. There were but very few who believed in his 'chimera.' The very friends who consented to join him were sceptical, and contributed their small subscriptions rather 'to oblige their friend,' or 'as one engages in a doubtful charity,' than with any faith in the scheme. Like Schulze in Germany, he felt himself hampered with a socialist Lassalle, one Boldrini, perpetually crossing his way and acting the Shimei by him. However, Boldrini had no Bismarck to back him up, and so his opposition came to a speedy collapse. A more serious hindrance was the backward state of the Italian law, which recognised no societies with unlimited capital, such as co-operative associations must needs be. Until 1883 the *banche* were compelled to sail—innocently enough—under false colours,

styling themselves joint-stock companies, and altering their 'limited' capital from year to year in order to comply with the law. That helps to explain the comparatively slow progress made up to the date named.

In spite of all these hindrances Signor Luzzatti—after A Small Beginning.

a little co-operative experiment made in connection with a friendly society at Lodi in 1864—late in 1865 decided upon starting his first People's Bank in Milan. And on the 25th of May 1866 he opened the doors of his modest little establishment in a small hired room. It was a puny little affair. The bank had but £28 for its capital—oddly enough, precisely the same sum with which our Rochdale Pioneers entered upon an economic reform destined to revolutionise commerce. '*Moi, je souscrivis 100 lire, j'étais le millionnaire de la bande.*' Of course they could employ no paid clerks or officers. All work must be gratuitous. But there was a good will at the back of the enterprise.

'Half my heart,' long after said Signor Luzzatti himself, 'is wrapt up in the People's Bank of Milan.' The face The Banca Popolare di Milano. of things is changed indeed since then. Now this same Bank is one of the marvels of Italy. It is lodged in a palace. It employs, in addition to 130 or 140 unpaid officers, about 100 clerks. In 1889 its members' roll stood at 16,392. It has grown since. Its paid-up capital amounted in May last to 8,418,850 lire, (£336,752), held in 165,906 shares; its reserve to 4,209,425 lire (£168,376). In addition to 57,853,890 lire of ordinary deposits it held 35,092,290 lire of savings. In 1889 it had lent out 115,040,439 lire (£4,601,616) in 162,789 loans—129,401 being for less than £40, 13,349 for less than £4, many for as little as 8s. Its gross profits ran up to 4,320,505 lire. On a total turn-over of 1,796,044,724 lire (£71,841,788) it had lost only 65,196 lire (£2,608); it had paid 118,200 lire in salaries, devoted 10,000 lire to charitable objects, and distributed

among its shareholders dividends to the amount of 1,152,028 lire (£46,080), at the rate of 14 per cent. This was by no means an exceptionally favourable year. The figures for 1888 and 1890 show in some respects considerably better. In 1888 the dividend was 15·20 per cent. The provident *caisse* (organised on the de Courcy system) for the benefit of the employés in 1890 mounted 'up to 364,017 lire. The bank was in correspondence with 320 other People's Banks, doing business with them to the amount of 223,000,000 lire. And its organisation forms an object of admiration to the most experienced bankers. As long ago as 1874 the *Journal des Débats* described it as 'the most perfect type of an Italian society of credit for the people.' '*La comptabilité*,' says M. Rostand, '*l'escompte, les prêts aux associés, les reports, l'émission des chèques, les avances sur titres, les prêts hypothécaires, les comptes courants, les dépôts d'épargne à 3 pour cent et de petit épargne à 3½ pour cent (livrets au porteur), la trésorerie et ses sept grands coffres à trois clés, le bureau d'admission des sociétaires, les cassettes aux cases de fer pour dépôt de titre d'argent, de bijoux (893 cases)—toute cette organisation est remarquable comme ordre, ingéniosité, perfectionnement technique.*' What millions of money dispensed to those who could not by other means have obtained any does the twenty-seven years' work of that bank represent! And, really, that is the smallest portion of the service which it has rendered. 'By its influence on legislation,' says M. Rostand, 'and by the model which it has supplied, the *Banca Popolare di Milano* has laid in Italy the foundation of co-operative credit.' Of those hundreds of banks which dot the Italian territory from the Alps to the Mediterranean, says M. Léon Say, the People's Bank of Milan is either the mother or the nurse. '*La Banque Populaire magistrale de Milan*

Excellence of
Management.

et les grandes caisses d'épargne de Milan et de Bologne dominant, de la hauteur de leurs dizaines ou centaines de millions, tout le peuple de ces petites banques avec leurs petites caisses d'épargne qui se meuvent dans leurs orbits et puisent les épargnes partout pour vivifier partout l'agriculture et les petites industries.' That little stroke of luck with the *buoni di cassa* had carried the

Effect upon
Trade and In-
dustry.

Banca at once into favour and so helped to plane the way for further success and for the success of other banks.

In its subsequent career it had several severe crises to weather. However, the good fairy which had befriended it at its birth stood by it all through. In no experience

Small Amount
of Losses.

do the merits of co-operative banks shew themselves more brilliantly than in their capacity to live through

crises. Every crisis that has visited Italy has left far less impression upon the People's Banks than upon their

non-co-operative rivals. During the last serious commercial disturbance the *Banca cooperativa operaia* of

Milan actually went on increasing its roll of members, from 4,268 to 4,929, its share-capital from 58,547 to

63,856 lire, its available funds from 2,927,350 to 3,192,800 lire. The *Banca Popolare* in the first fifteen years of its

existence, up to 1880 (inclusive), lost in all only 191,636 lire (£7,664), of which 68,567 lire was owing to frauds

committed by employés, and 3,606 lire to support unwisely given to a co-operative printing establishment.

And since that date the Bank's losses have remained as trifling. The greatest danger which the Bank ever had

to face arose, not from a crisis, nor from outside pressure, but from its own midst. In the years from 1871 to

1873, when the promotion fever was raging throughout the world, and in Italy took the shape of what Signor

Mangili calls *bancomania*, the shareholders grew greedy, and clamoured for the conversion of their bank into a

joint-stock concern, in order that they might through it

engage in speculation. The Committee offered a stout resistance and just managed to carry their point. Their constituents grumbled, but have lived to thank them for their firmness. Summing up the history of the Bank, Signor Mangili ascribes its success—to the gratuitous rendering of services by the officers, the non-limitation of its capital, the smallness of the payments exacted, the restriction of each member to one vote, the refusal of confidence to any member who has shewn himself undeserving of it, the preference given to credit services over profit, and the exclusion of any hazardous operation.*

The Members. That gives some clue to the system on which the banks are worked. Bills of exchange are very convenient commodities, supposing them to be 'good.' The effective precautions which the *Banche Popolari* have provided to ensure that no bad ones shall be taken, constitute one of their main triumphs. For even though the restriction of business to members only (otherwise than the acceptance of deposits) might constitute some sort of safeguard, the public dealt with could not appear *primâ facie* a particularly promising one. It is quite true that, as Professor Rabbeno and M. Durand complain, '*les plus pauvres et les plus déshérités*' are excluded; nevertheless, the members are for the most part taken from humble classes enough, and are to a considerable extent men whom other banks would not trust, and money lenders only as a matter of risk, at proportionately high interest. An inquiry instituted in 1883 showed that there were indeed 24·66 per cent. members in good circumstances (like Herr Raiffeisen, Signor Luzzatti

* La gratuità delle cariche, il capitale illimitato, le quote di tenue imposto pagabili anche con versamenti a piccole rate, l'unicità del voto, il frazionamento delle operazioni, l'elargizione del fido a chi fra i soci si ne mostri veramente meritevole, il credito anteposto agli utili, l'esclusione d'ogni operazione aleatoria.

lays stress on the presence of a fair proportion of such in each association)—well-to-do agriculturalists, manufacturers and traders, or persons without a calling; but 28·68 per cent. consisted of men engaged in small industry and small trade, 8·40 per cent. were artizans, 15·40 per cent. school teachers, government employés and the like, 19·08 per cent. small cultivators, and 3·18 per cent. day labourers. A list of members prepared in 1891, in respect of the *Banca Popolare* of Padua, a very representative institution, shows that among 4,310 members there were 120 rural labourers, 300 artizans, 399 small cultivators, 1,121 small traders, 1,094 Government employés, school teachers, etc., and 780 persons without any particular calling. (M. Rostand, on some ground or other, classes them as 496 'rich,' and 3,814 'poor.') All this confirms the charge levelled at the banks, that they are not in the fullest sense 'popular'; but it leaves them with a needy—and, from a banker's point of view, questionable—*clientèle* enough. One safeguard is indeed provided by the careful selection of members, which must afford some sort of guarantee of assumable honesty. But since the average number of members per association has stood as high as 989, and still stands at 590, the control exercised over the whole mass cannot be very searchingly severe.

The authority on whom the responsibility of checking the issue of loans really devolves is the *Comitato di sconto*, a volunteer committee elected at the annual meeting, whose special office it is, to consider, and approve or reject, applications for loans or advances, and applications for credit to be opened in the shape of current accounts. (The credit of having introduced the latter form of borrowing into Italy belongs to the little *Banca Popolare* of Casalpusterlengo, a *succursale* of the *Banca* of Lodi). The number composing

The Comitato
di Sconto.

the *Comitato di sconto* varies according to the size of the association. In the *Banca Popolare* of Milan the Committee consists of forty members, who of course do not all sit at the same time. There is no more important body of officers forming part of Signor Luzzatti's co-operative organisation than this *Comitato di sconto*, upon whose *fiat* it depends, whether the credit of the bank shall be pledged or not. Theirs is a position of the highest trust. Signor Luzzatti accordingly will have them amenable to no influence whatever which might in the least degree draw them aside from the narrow path of impartiality and caution. His own wish is, that by a self-denying ordinance they should forego their own right of borrowing. That, however, he has not been able to carry. But he would write over their door words which he slightly misquotes from the Gospel: 'I know neither father or mother; only he who follows the truth follows me'—which means, that neither consideration for a vote nor for profit, for friendship or for consanguinity—nothing whatever but strict regard for the interests of the association shall determine their judgment. The *Comitato* prepare themselves for their active work of recommending or disallowing loans by drawing up, independently of any actual application, a table, kept always in readiness as their constant guide, showing what amount each member of the association is in the opinion of the *Comitato* 'good for.' This table is called the *castelletto*. It is carefully revised from time to time, and, should the estimate fixed in it for any particular member decline while a loan is out to him, or to any one else for whom he acts as surety—or, also, should securities pledged for a loan depreciate by 10 per cent. or more—the debtor is at once called upon to make good the difference, in the one case by additional security, in the other by a new surety. On this *castelletto* people

The 'Castelletto.'

may combine to borrow. For instance, if A is considered good for £40, B for £30, and C for £60, on the strength of their joint signatures any one of them is entitled to a loan of £130—provided that no other paper is out signed or backed by A, B, or C. Supposing that the *Comitato* are correct in their appraisal, the *banca* in this way makes sure of keeping its lending within safe limits; and experience seems to indicate that the valuation is generally trustworthy. Credit given in the shape of a current account is withdrawn, if it shows no business. For that is held to indicate that the credit is asked, not for trade or productive purposes, but merely for accommodation.

Although bills of exchange form the favourite medium for loans, they are far from constituting the only one. Some lending is done on notes of hand. One bank, at any rate, that of Bergamo, lends on pledges, *sans dessaisissement*—pledges which remain in the borrower's hands, as they might here under a bill of sale, only without the ignominy of any public record of the act. Mortgages are strictly forbidden. I have been able to discover only one bank which holds one, and that is not as a pledge, but as an investment; and notice of repayment has already been given. But the banks lend on 'warrants' and on invoices, on labour bills and on a variety of similar instruments, common among trading and manufacturing folk, but not generally negotiable except as an act of special consideration and at a high discount—which constitutes a most material convenience to the public. For instance, a tradesman having money owing to him from a customer need but obtain the latter's acknowledgment of the correctness of the debt to have the account discounted. Under this arrangement builders carrying out contracts can receive the money wherewith to pay their workmen while the work is in progress; a printer working for a

Various Forms
of Lending.

publisher who demands long credit can obtain his money; that poor lady milliner of whom the *Pall Mall Gazette* wrote a year ago, who with a heavy bill due to her, had not money enough to provide for her family over Christmas anything but bread and water, might have had her good Christmas dinner. It is doubtful if by any method which they have adopted for supplying credit the *banche* have rendered to the trading classes more material and more welcome service than by this. The practice has proved useful beyond that; for it has to a considerable extent altered the custom of trade by its example, and made cash payments the rule in the place of credit. Again, banks advance money on rents falling due, or indeed on any prospective claim sufficiently assured and acknowledged. The People's Bank of Bergamo has advanced money on cocoons, secured by the undertaking that the spun silk shall not leave the spinner's house till the debt has been repaid. To the small silk-growers this has proved a substantial benefit.

Short Loans
the Rule.

All these loans are granted only for short periods. The money is to be kept continually in hand and 'rolling.' Besides, the leaders of the movement do not wish to accustom their protégés to a practice of long borrowing; and, moreover, Signor Ettore Levi goes so far as to argue that there is less risk in short loans than in long. The ordinary term is three months, and very rarely indeed is a renewal granted beyond another three. Not a few banks charge an additional fee upon renewal, which Signor Levi considers justified. The only exception in respect of time is made in the case of agricultural loans, for issuing which Signor Luzzatti has, with characteristic ingenuity, invented a special instrument. It was a standing problem with Italian banks how to grant credit to farmers, and a standing reproach levelled at the *Banche Popolari* that, professing to help

the moneyless, they did not adequately provide such. To silence this reproach Signor Luzzatti introduced the *buoni di tesoro d'agricoltura* or *cartelle agrarie*, which under the shape of a bill or bond secure credit for long periods. Before issuing such, he prudently made sure of the willingness of the large banks to discount them. Fortunately for him, 'agricultural credit' is a hobby with Italian financiers. The banks declared themselves ready to take the *buoni* on condition that they were previously 'accepted' or at any rate *visé* by the *Banche Popolari*. It is interesting to note that in thus adapting themselves to the demands of agricultural credit, the *Banche Popolari* have introduced into their *regolamento* a rule evidently borrowed from the Raiffeisen banks, requiring borrowers to state the object of their loan beforehand and to adhere to it on pain of forfeiture.* The business actually done has not realised the hopes which were entertained with regard to it. In 1881 the *banche* had 12,224,450 lire of agricultural paper in circulation. By 1889 the circulation had contracted to 6,390,210 lire, which is actually less than was recorded in 1876, the first year in which statistics were collected. But the money was apparently all taken up in small amounts. There were 1,425,750 lire outstanding in 30-lire bonds (24 shillings), 760 lire in 40-lire bonds, 1,592,650 lire in 50-lire bonds, 3,188,800 lire in 100-lire bonds, 182,000 lire in 200-lire bonds, and only 250 lire in a bond for that, larger, figure. Evidently, excellent as is Signor Luzzatti's system in its own proper sphere, it does not lend itself readily to the purposes of agricultural credit.

As the *Banche* prefer short terms, so they also give the preference to small amounts—partly because such

Long Term *cartelle agrarie*.

Preference given to Small Loans.

* Regolamento Provvisorio per l'emissione dei Buoni agrari prese le Banche Popolari del Primo Gruppo italiano (Rule 4 in Ettore Levi's Manuale p. 548.)

are supposed to involve less risk, mainly because the very *raison d'être* of the bank is, to furnish credit for small folk and small wants, and they strive to remain true to their democratic principle.

The Supply of
Funds.

For their supply of funds the *Banche* rely mainly on deposits, savings banks payments, and the passing on of their bills for re-discount. For deposits they appear to be a very favourite institution. 'We have not had to run after the deposits, the deposits have come running after us,' on one occasion remarked Signor Luzzatti. But deposits are always withdrawable by notice at the option of the depositor. What banks mainly value is, to have money lent them for a fixed and tolerably long period. To accomplish this object Signor Luzzatti introduced his *buoni fruttiferi a scadenza fissa*, bonds which, like our Exchequer Bills, run for fixed terms and bear interest which, I find, varies in Italy as much as from 2 to 6½ per cent. What with deposits (ordinary) and *buoni fruttiferi*, the *banche* in 1889 held an amount of 186,743,938 lire (£7,469,756), in addition to savings banks deposits (210,835,573 lire = £8,500,000), which, with 285,936,946 lire (£11,437,476) of bills, 86,037,068 lire (£3,441,484) of current accounts and their own funds, amounting to somewhere about £5,000,000, placed in their hands more money than they at all required (about £36,000,000.) For the year named the *Banche Popolari* put their funds available for work (*mezzi disponibili*) at 540,314,369 lire (£21,612,576) as compared with 1,046,137,185 lire (£41,845,488) held by the non-co-operative banks of the kingdom. Coupled with excellent management, Signor Luzzatti's *garanzie morali* had evidently accomplished their purpose.

The Consiglio.

The *Comitato di sconto*, which has to sit in judgment upon every claim for an advance made, is not the only representative administrative body appointed in conec-

tion with the *Banche Popolari*. Indeed, their whole organisation is representative and elective. There is the *Consiglio*, or Council, which acts as a General Committee, regularly elected at the annual meeting, in most cases for two years, one half retiring each twelvemonth. This body, wielding—next to the General Meeting—the supreme authority, varies in number from about seven, in the smaller banks, to 130 or 140 in the large bank of Milan, every member of it being unpaid, and, for the security of the members in general, elected with care. Signor Luzzatti insists more and more urgently, as time goes on—in opposition to his master Schulze-Delitzsch—upon purely *gratuitous* services. Signor Mangili—Services should be gratuitous. long an admirable secretary of the premier bank, that of Milan—as has been seen, distinctly attributes the success of that institution in part to the gratuitous character of the services rendered. In the larger banks of course there must be a paid staff, and in accordance with a resolution formally adopted at one of the great Congresses of People's Banks these are paid not only by salary but also by commission on profits—not on 'business.' This is found to act as a useful stimulus to good work. Thus the *Banca Cooperativa Milanese* sets apart annually 5 per cent. out of its exceptionally large profits for *tantième*. Some banks make such payment dependent upon the dividend attaining a certain minimum figure. Signor Levi recommends as a rule that the profits should be appropriated as follows: 70 per cent. to dividend, 20 per cent. to reserve, 10 per cent. to the employés. In 1889 the *Banca Popolare* of Milan distributed as much as 118,200 lire (£4,728) as commission among its servants. A provident pension and sick insurance system according to the rules laid down by Alfred de Courcy has long since become a regular institution with all these banks. Of the higher

The Sindaci.

The Proviviri.

officers the Italian *Banche* pay three: the president, the cashier, and the chief book-keeper (*contabile*), in about the following proportions: the president 1,500 lire, the cashier 1,300, the chief book-keeper 1,100 lire. From its own number the *Consiglio* elects from three to five *sindaci*, upon whom devolves the daily supervision of affairs. They generally take the duty in turns, each for a week at a time, and after so much sacrifice of time and labour are allowed to retire at the close of a year. The *Comitato di sconto* form a separate body, consisting, generally speaking, of from fifteen to forty, and as a rule, taking the duty in turns. Distinct from all these is a board of honorary officers which is altogether peculiar to the Italian *Banche*, namely, the three *probi-viri*, to whom an appeal may be carried on any point whatever arising in the administration of the *Banche* and whose judgment—to be pronounced only *in banco*—is final. A candidate refused admission, a member refused credit, a member sentenced to expulsion—whatever the question may be, an appeal lies to them, and their jurisdiction has in practice been found a rock of strength in maintaining harmony and keeping things in a satisfactory groove.

Thus judiciously constructed, ‘fitly joined together,’ in all its parts, the fabric of Italian People’s Banks has shown itself admirably adapted for the discharge of a surprising variety of functions, of which all have not yet been told. One or two of their best works remain still to be described. Cramped and hampered by the advice of ‘practical men,’ to whose judgment Signor Luzzatti held himself bound to defer, they began as essentially ‘business’ banks, bidding for support by dividends and salaries, and deliberately excluding *i miseri*, as ‘unripe’ for credit, and likely to abuse it. All these ‘practical’ principles imported from across

the Alps have been thrown overboard long since. 'We have suffered, not from scarcity, but from a superabundance of funds,' says Signor Luzzatti over and over again. 'We have succeeded too well.' The banks have paid 6, 8, 10, 14, 15, 20 per cent. of dividend. 'Yes, but stop that,' now urges Signor Luzzatti, year after year. 'Limit dividends; cast away every inducement to greed! Critics justly urge (as does M. Léon Say) that our '*crédit populaire n'est pas bon marché et de plus, il est inégal.*' M. François in the *Journal des Économistes* points out that it ranges from 4½ to 10 per cent. The Government statistics show the same thing. Eight per cent. (the very figure which Signor Luzzatti somewhere declares excessive) occurs frequently as the accepted rate. Leave that alone now. Cheapen your service. Study, not dividend, but cheap loans; and remember the 'womb' from which you have sprung, the womb of the working-men's friendly societies: lend to these societies and to their members, work in co-operation with them, and, having attained prosperity, do your best to help the poor!' This exhortation has not remained barren advice. Existing banks it is not very easy to induce to revise their terms. But new banks are formed with more popular and more generous rules. And all banks that have worked themselves up to any position of wealth now give according to their power for philanthropic purposes and render help to the needy. Under such impelling influence has sprung up what M. Rostand rightly commends as, 'that original and noble piece of machinery of Italian co-operation (*cet original et noble rouage de la coopération italienne*),' 'the *prestito sull' onore*—the loan of honour.' Besides voting money for charitable objects, the banks each year devote a certain proportion of their funds to a special service, granting loans to the poor

The Prestito
sull' onore.

who have nothing to pledge as security except their 'honour,' their promise to repay. 'A very doubtful security,' English bankers will say. But experience has shown that losses on this account are rare and perfectly trifling. In the case of the *Banca Popolare* of Milan, in twelve years they did not amount to 10 per cent. In 1890 the *Banca Popolare di Credito* of Padua reported only 2,000 lire of losses, out of 100,000 lire; only 43 'doubtful' loans out of 2,000 contracted. The *Banca Popolare* of Bologna in the same year set down only 2,000 out of 100,000 lire lent as 'doubtful.' In 1889, out of 9,250 lire lent out in 93 loans, it had lost 313 lire. It stands to reason, says Senhor Costa Goodolphim, arguing on such loans, that the debtors will make their best effort to repay, because they may want to borrow again. 'In truth,' says M. Durand on the ground of tolerably minute and careful inquiries, 'the loans of honour must be classed in the category of the *very safest* operations of credit carried out by the People's Banks; very rarely indeed does the poor working man to whom the bank has given such proof of its confidence fail to make the greatest efforts to show himself worthy of it, and the losses sustained under this head are absolutely trifling (*absolument nulles*).' What charitable institution among ourselves can say as much for its own 'operations'? But, then, our societies are supported by well-to-do subscribers, and administered by well-to-do committees; they have not 'issued from the womb' of the classes themselves for whom they work.

Safeguards in granting it.

Of course the banks do not give their money to every vagabond who claims it. They have special committees appointed to inquire into cases. Thus the *Banca Popolare* of Bologna nominates a distinct committee of five to deal with the matter. Some other banks—as, for

instance, those of Cremona and Bergamo—entrust the distribution of the money voted to some allied friendly society. The *Banca Popolare* of Milan makes a point of having always some representatives of local friendly societies on its 'loans of honour' committee. Most of the loans granted are small. But I have come across grants to one man of 500 lire (£20) and even more. The *Banca Popolare* of Milan limits its loans to a maximum amount of 200 lire. The *Banca Popolare* of Bologna never grants more than 100 lire to one applicant. The *Banca Cooperativa operaia* of Milan (founded only in 1884, with a subscribed capital of 134,800 lire) had in 1890 granted 1,455 such loans, 655 being under 50 lire each, 595 between 50 and 100 lire, and 25 upwards of that amount. The 'loan of honour' is always made repayable by instalments—as a rule, on the principle of Aristide Rava, of Bologna, in ten months, though in some cases the time of repayment is spread out over sixty weeks or even longer. Some banks charge a moderate interest—thus the *Banca Popolare* of Padua exacts 2 per cent. Others lend gratuitously. According to M. Rostand, the merit of first devising this method of charitable aid belongs to the *Associazione di mutuo soccorso* of Lodi, the same which placed its services at Signor Luzzatti's disposal for his first co-operative experiment. Otherwise the *Banca Popolare* of Milan is held to have been the pioneer of this admirable work. It began with voting 10,000 lire for the purpose. Now it grants every year four times that sum (1,600). From the *Banche Popolari* the useful institution of *prestiti sull' onore* has spread over the whole network of provident institutions in Italy. The *istituti di mutuo soccorso* have taken it up, and most friendly trade-societies—stonemasons', barbers', sign painters' and so on—practise it as a regular part of their work. Thus, thanks

Instances of
Prestiti.

to the creative initiative of the *Banche Popolari*, a stream of gold has been set flowing, far less costly and far more beneficial than our well-sponsored charitable enterprises, watering the desert of distress with fertilising little currents which 'return not void.' It is a thousand pities that there are no comprehensive statistics to show the total amount annually or generally expended in this way. As to that we are permitted only to speculate. But we know that the flow of loans does an immense amount of good, and but little of its treasures is lost.

Banche Popolari as Agencies for distributing Relief.

Even that is not all that the *Banche* can do in the way of philanthropic work. When times of trouble arise, and the benevolent subscribe their thousands, to help the houseless and starving, no machinery has been found so effective for beneficently distributing the money collected as the People's Banks. They are in a better position to discriminate between deserving and undeserving cases than Government officers or committees specially appointed. They know the country and the people. They can take care that the money given is properly expended. And, lastly, applying their own system of distribution, they are able to make the money go four or five times as far. Thus, in 1879, when the Po overflowed its banks, swamping whole districts and spreading ruin all round, no relief machinery was found to do better service than the popular banks, which, being handed over 100,000 lire each from the relief funds, managed to multiply that sum to about 400,000 lire in the act of distribution, with the help of their credit—it is true, only *lending* the larger sum, but *lending* it so as to make it repayable by easy instalments spread over five years. And 4 lire so lent were to the poor flooded worth a good deal more than 1 lira given. In 1882, under similar circumstances, the *Banca Coopera-*

tiva Popolare di Padova did even better service. Upon the guarantee of the province it advanced to the sufferers out of its own funds, with due discrimination, in all 295,417 lire, at two per cent. interest, demanding repayment by annual instalments spread over as much as ten years.

What a stream of almost exhaustless beneficence does this system of People's Banks seem to turn loose upon a thirsting world! And how wasteful do our own profuse, but carelessly distributed, gifts appear by the side of these self-repaying loans! It may be said that we have the money and need not look to economy. But our carelessness leaves such a wide margin of distress which goes without benefit! And the greatest benefit of all, the lesson which teaches people how to help themselves, how to make the help received from others go farthest, the lesson of thrift and business-like habits, in our free-handed but easy-going giving—which is the product rather of instinct than of thought—we generally miss altogether.

As might be expected, once the 'Utopianism' of Signor Luzzatti's scheme had been exploded, once the People's Banks had shewn themselves truly beneficent associations, hindrances disappeared, and the banks multiplied pretty rapidly. Up to 1883, indeed, the adverse law stood in the way. Their number increased by 9, 2, 7, 5, 10, in the year. Nevertheless, in 1882 it already stood at 206, with an aggregate capital and reserve of 57,822,000 lire (£2,312,880), that is, about £11,200 per bank, and a members' roll of 114,072 (821 per bank); and their collective lending amounted to annually 156,042,366 lire (£6,241,696). By 1883 the number of members had increased to 139,959, holding between them 995,110 shares, 7.11 per member, equal to 420.77 lire. By 1889 the Banks had increased to 714

Spread of the
Banche Popo-
lari

(as against 159 non-co-operative credit institutions), with 114,979,542 lire (4,599,180) capital and reserve, and lending out annually 285,936,946 lire (£11,437,476). Their annual accounts had risen from 206,899,142 to 425,339,827 lire. Since then the progress has increased in impetus, though as full figures cannot be quoted, since no new *Statistica* has appeared. But in May last there were in all 930 People's Banks, including, so far as I can make out, 64 Wollemborg *casse*. They have not nearly caught up the German People's Banks, in respect either of numbers or of general business; but they have made fair progress towards doing so. Their number per population not long ago stood at 1 to 39,859, as compared with the German 1 to 22,777; but their largest specimen, the *Banca Popolare* of Milan, had in its individual riches and business far outstripped the *Creditverein* of Leipzig, the largest People's Bank in Germany, since it disposed of a working-fund of about 12,000,000 francs (£480,000), as against 3,750,000 francs (£150,200) possessed by its Saxon rival. And these banks go on everywhere spreading and prospering. A central bank begins by sending out *succursales*; after a time the *succursales* decide to turn themselves into independent banks; the central bank, without a suspicion of jealousy, readily helps them, and their business doubles and trebles. Thus province after province is taken possession of with a regularity of method, and a certainty of success, which remind one of Moltke's vanguard of *Uhlans*, followed by serried battalions, and at length by the sturdy *Landwehr* as a permanent garrison. There are cases in which the unselfish parent-bank has, like a pelican, fed its offspring on its own flesh. Thus the Bank of Cremona has 4 *succursales*, which do not yet pay. Indeed, three of them—Seresina, Casalmaggiore and Piedana—between them in 1890 made a loss of

6,000 lire. Nevertheless the 5,100 members composing the five, holding, in all, 42,000 shares, work together as one body, drawing precisely the same dividend throughout. The thing will right itself in time. The old Bank of Lodi has no fewer than fifteen *succursales*, the Bank of Pieva de Soligo ten, and so on. It is all amicable co-operation, carried out on Signor Luzzatti's principle of union combined with decentralisation, independence, and yet general alliance. There is no dis-harmony, no counter-operating, as in Germany. All pull well together. For purposes of convenience, the banks have classed themselves in 'Groups' answering to the German Provincial Unions. They have their National Congresses, and since some years Signor Luzzatti has begun to advocate even international union. By way of further development the *Banche* have combined to a co-operative Insurance Union, *Il Popolare*, for which every *banca* acts as an agent. With so large and so dependable a *clientèle*, the society is bound to do well.

Good Feeling among the Banks—'Independenti sempre; isolati mai.'

For excellent specimens you may go wherever you like. The strength of the Banks is still greatest in their own northern home—Lombardy, Piedmont, Emilia. But they have long since overspread all Italy, doing their useful work, lending money freely, and setting their net to catch fish small and great, members who put in 5 lire as their stake, and members who go as high as 150. I have already spoken of the Queen Bank, the *Banca Popolare* of Milan. In the same city, one among many, is the *Banca Cooperativa Milanese*, which in seven years raised its profits from 38,223 lire (for seven months) to 229,874 lire, and which two years later showed a turnover of 117,404,794 lire. Its 50-lire shares sell at 75 lire. Then there is the *Banca Operaia*—an artisans' bank—which has set on foot for its members a flourishing *ristorante cooperativo*, in which

Distribution of the Banche.

you can take your choice of four soups and fifteen *plats* for 1·05 lire. In Bologna you have the *Banca Popolare di Credito*, the head bank of the *Gruppo Regionale Romagnolo*, which undersells the National Bank in the discount market at the rate of $\frac{3}{4}$ per cent. In 1889 it lent out 42,500,000 lire against bills of exchange. Its *prestiti sull' onore* it considerably grants, when desired, for two and a half years, making them repayable in ten equal quarterly instalments. Near it is the modest *Cassa Cooperativa di Credito*, having only 5-lire shares, and lending out sums of from 5 up to 150 lire. At Genoa you have the *Banca Popolare di Genova*, in which the administrative service is so perfect that a staff of twelve clerks suffices for an annual business of 61,948,012 lire, most of it lent out in very small amounts. Padua is another leading centre of co-operative banking, Naples another. Throughout Italy these banks have become a powerful force; and if Lord Jeffrey spoke truly when laying it down that the greatness of a nation and the happiness of its people do not depend so much upon the increase of its military strength as upon 'the spread of banks and the increase of banking facilities,' Italy with her smaller army has no need to shrink from comparison with her more powerful military neighbours with their mighty 'nations in arms'—against which she has to pit her 'nation in banks,' better organised as a collective force than any with which her own may be brought into comparison. It is true that her banks do not render all the good service which is required to agriculture, and that they reach the very poor as yet only through their *prestiti sull' onore*. A city shop cannot do hawker's work. But they serve a huge class of those who urgently require credit—retail dealers, small tradesmen, *boutiquiers*, artisans, small landowners and the like, and, looking at them altogether—busy, laborious

'A Nation in
Banks.'

hives that they are, in which not a drop of honey is allowed to run to waste—you cannot but feel that they represent a great and beneficent national work, a richly yielding horn of plenty, and that, in M. Durand's words, 'this magnificent network of institutions of popular credit, for which Italy is beholden to Signor Luzzatti, may well excite the envy of Europe.' 'It is impossible,' says Signor Luzzatti, with just pride, in his presidential address of 1887, 'not to acknowledge that we have delivered the small folk and the middle classes from crushing usury, that we have assisted commerce and, lastly, that we have helped to cultivate throughout the fruitful tree of thrift, on a ground which previously appeared absolutely barren.'

[The foregoing chapter was written before the recent Italian Bank-scandals had become public. It is needless to say that they have nothing whatever to do with the *Banche Popolari* here spoken of. On the contrary, their effect is almost bound to be, very materially to strengthen the position of co-operative banks, in which mischief like that which has occurred is absolutely impossible.]

CHAPTER VIII

THE 'CASSE RURALI' OF DR WOLLEMBORG

Need in Italy
of Loan Insti-
tutions for the
Very Poor.

IF in the person of Signor Luzzatti Italy had its own Schulze-Delitzsch, Providence so ordered it that it should have also its own Raiffeisen — not a mere mechanical imitator, but an intelligent adaptor, taking into due account the peculiar circumstances of his country. There can be no doubt that the *Banche Popolari* do not adequately occupy all the ground which calls for cultivation. They do wonders among working folk with moderate means. But in spite of their *prestiti sull' onore* they do not extend their work much below that stratum. 'They are not popular in the true sense of the word,' wrote Professor Rabbeno to our Co-operative Congress in 1886; 'they have proved of no benefit to the working classes.' That is no wonder, considering that only 8 per cent. of their members are labouring men in our sense of the term. And, beyond that, they do very little directly for the agricultural community, next to nothing for the poorest class of cultivators, who need help very sorely.

Resemblance
between Rural
Italy and the
United King-
dom

The case of rural Italy ought to be particularly interesting to us, because there are some features which link it rather strikingly with our own rural economy. There are differences of course. But running through a considerable part of the system there is a rather

remarkable general resemblance, which in the poorest districts appears to bring Italy almost on a par with Ireland. Accordingly, it has become a common practice with continental writers on agriculture to couple Ireland and Italy together as specimens of backward, poverty-stricken husbandry, undeveloped owing to identical causes. In Latium, in Umbria, in the Marches and in parts of Lombardy, there is the same paucity of landowners, a very similar system of land tenure, even more absenteeism, and—here is a point of difference—incomparably greater harshness in the collection of rents. In Lombardy (to parts of which province this description more particularly applies) you will find even our dismal English fogs to complete the likeness. Reading some of the books published in Italy on this subject—for instance, Signor Jacini's—one might almost fancy the author to be writing about England. The comparison seems the more interesting, because in Italy the need of the humble tenant classes is, owing to peculiar circumstances, even more accentuated, and placed in telling juxtaposition with the comfort and plenty which appear to spring, as a matter of course, from a different land system. Amid this howling wilderness of *chiusuranti* and *massariotti*—tenanting severally their *chiusura* of from 1 to 12 *campi* or (roughly speaking) acres, or else their *campagna* of 12 *campi* or more—and of *métayers*, all toiling and drudging, and never securing any visible return for their labour, there are flourishing little oases, with neat and substantial little houses built upon them, surrounded by bright little gardens, and some four *campi* or so each of well-tilled fields. More especially in the districts of Vicenza and Belluna are such oases tolerably plentiful; elsewhere they are scarce. They mark the spots where some small man or other has managed to purchase a freehold, on which he

thrives with his family—it is true, rarely as a purely agricultural owner; as a rule he practises some trade or craft, which makes his little holding all the more profitable to him. But to the mass of the people in the country life is a perpetual struggle—to quote an apt expression, which I have heard in Sussex, ‘a being, not a living.’ Everything, of course, is backward—tillage, trade, family economy—in that little cottage which poverty has stripped bare of every comfort. The farm implements are primitive, the manure is of the scantiest, and so is the fodder given to that poor, mis-shapen live stock, which, in nine cases out of ten, is *cheptel* belonging to an usurer, who draws all the profit out of its rearing. Rents are rigidly exacted, and to the little household, perpetually in debt, money is as much of a meaningless ‘expression’ as Italy used to be ‘geographically’ before the Union. Even wages offer but a slight alleviation to the cultivator’s lot. For their scale is very low—50 centesimi for a woman, from 80 centesimi to 1 lira, or at most 1½ lira for a man.

Poverty and
Usury.

Of course such an economical desert must needs bring forth its own peculiar weeds. Usury is rampant. Its practice is scarcely even held disgraceful. The better-to-do peasants, once chance sends them a little money, take to it as a matter of course. They lend their poorer neighbour ten or twenty lire for a few days, and exact three or four lire for interest. If he wants maize and cannot pay for it in money, they let him have a hectolitre, which sells in the market for twelve lire, at the price of from twenty to thirty. Thirty, forty, fifty, a hundred, two hundred per cent. is nothing uncommon. At Imola—where now, thanks to the *cassa rurale*, money is always obtainable at 6¼ per cent.—a hundred per cent. used to be the rule. Signor Silvani speaks of four hundred per cent.; Dr Wollemborg mentions a case in

which as much as twelve hundred per cent. was exacted. M. Durand says that a capital of 2,000 lire (£80) used to be considered quite a competency, sufficient by usury to maintain a family in moderate comfort. On the top of all this, shortly before Dr Wollemborg began his philanthropic work, came a series of bad harvests, blight, drought, and vine-disease. The poor people were in a miserable plight, and there seemed no one ready to help them. There were the *banche popolari*, indeed, which, like the *casse rurali*, owe their origin to Lombardy. But who could afford to take up a share? And who could hope to repay his debt within three months?

For such a *clientèle* as this the Raiffeisen Loan Banks, with their aptitude for conjuring money out of nothing, appeared the one thing needed. Of course their fame had penetrated across the Alps, and in 1883, just before Dr Wollemborg resolved to make himself their champion in Italy, Signor Luzzatti cleared one hindrance to their introduction out of the way by publicly declaring that 'if the ardour of an apostle were to raise up banks similar to those of Raiffeisen, they should be welcome; he would not in Italy renew those useless and disgraceful polemics with which these banks had been met by his friends in Germany—if they did not disdain to accept it, there he offered them his hand for alliance and help.'

But, unfortunately, the fame was as yet nothing but fame. The Italians 'heard the message, but they lacked the faith.' No one really believed in the practicability of the thing. Signor A. Keller had championed it in speech, but gained no converts. And when Dr Wollemborg made up his mind to try his hand at a practical experiment, 'everybody told me,' he himself says, 'that my undertaking was impossible. And I silently recalled to mind that fine saying of Carlyle's: "every noble enterprise is at its outset "impossible."'

'Every Noble Work is at the Outset "Impossible."'

Dr Leone Wol-
lemborg.

In his own Lombardy parish of Loreggia Dr Wollemborg had a good district to begin upon. For there distress was as severe as anywhere, and economic civilisation as undeveloped. With a tolerably well-filled purse come to him by inheritance, he might have done a good deal by charity to relieve actual distress. But that would have been missing the best part of a good deed, the raising and educating of the people. So he decided to take his place by the side of his poorer neighbours as one of themselves, and to make everyone contribute to 'his own deliverance,' claiming distinction above them only in the prerogative of work. In June 1883, having secured the support of in all thirty-two members, including, of course, the *curé*, he opened his little pioneer bank. '*La date mérite d'être notée*,' says M. Rostand; '*elle marquait la naissance d'une institution*.' When the first quarter came round, great was the surprise of the peasants who had become borrowers, on receiving an advice from the *ragionere*, to the effect that they owed 1½ per cent. on their loans. One-and-a-half per cent.! Surely that must be a mistake. Incredulously they brought their books back to the *ragionere*; such a thing had never been heard of! When they found it to be correct all the same, the fame of their *cassa* spread abroad as on wings. 'The propaganda begun,' says M. Rostand, 'the diffusion worked its own way. Here, there, the author of this new institution found himself summoned, sometimes by a landlord less indifferent than the rest, sometimes by the *sindaco* or the *curé*.' And now, as M. Durand joyfully reports, the movement is advancing with '*élan*,' amid the plaudits of economists.

The Casse
Rurali.

The causes of its success are to be found in that admirable aptitude which the institution at once exhibited in its practical application for its specific purpose—in

'the indefatigable labour of Dr Wollemborg,' says Professor Rabbeno, who hailed the *casse rurali* with heartfelt satisfaction, and the welcome support of the parish clergy—'but above all in the fact that these banks provide for the wants of that country, where the peasants have necessity of credit and are in a wretched condition.' There was no stroke of luck like that issue of *buoni di cassa* to lift them into sudden favour. On the contrary, although a need of help had been recognised, although Signor Luzzatti's attitude was generously friendly, and although the *Banche Popolari* had undoubtedly rendered good service in preparing the soil, public opinion remained at the outset distinctly sceptical, and hostile, more in particular, to the principle of unlimited liability. Moreover, the persons to be benefited were miserably poor, and there was accordingly no money to begin work with. Dr Wollemborg confesses that he would have had great difficulty in accomplishing his purpose had it not been for the support readily accorded to him by the large Savings Banks, which in all probability trusted rather to his own 'character,' than to the stability of the new institutions. They have not lost a penny by their confidence. And long since the *casse* have conquered for themselves a position which places them above the necessity of begging favours in any quarter. Under the magic touch of their 'self-help' the desert which formerly failed to produce enough for the cultivators to live upon, has brought forth savings and deposits in plenty, sufficient in many cases to supply all the needs of the *casse*. And, whenever more is wanted, the public banks are glad to lend at a preferential rate— $\frac{1}{2}$ and 1 per cent. below market-rate. A typical case of what the *casse* will accomplish with a little timely help by the union of their economic and educational efficacy, is reported from Loreggia. One of the original members

of the *cassa* planted there in 1883 was a poor tenant, occupying a farm of 25 *campi*, from which by stinting husbandry he raised but a bare pittance, and upon which there was practically not a stick which he could call his own. All that there was was borrowed. The man at once claimed a loan of 100 lire—£4. He has probably borrowed more since. In any case, now, after nine years, he has his buildings and implements in proper repair, six beasts of his own, and 1,500 lire laid by. All this is distinctly and demonstrably due to the assistance rendered by the *Cassa Rurale*.

Their 'Idea'
and Organisa-
tion.

The organisation of a rural *cassa* must of course be totally different from that of a *banca popolare*. Together with unlimited liability, Dr Wollemborg accepted Herr Raiffeisen's principle of thoroughly democratic government, and really carried it some distance further. His associations are smaller—generally speaking, more needy to begin with. Strict economy, even in small things, is accordingly a matter of the greater moment. Under the circumstances an active participation of each member in the work becomes more of a necessity, while at the same time its application is made easier. The members meet oftener and administer their own affairs more in common. Hence, if possible, an even more lively interest, even fuller co-operation in small things than is seen in Germany. There is not a meeting at which all members who are able do not attend. Should any fail, they are looked upon by their brethren much as were the *ιδιωται*, who would not vote on public matters, by the Athenians, and are punished accordingly—not indeed with death, but with a fine of 50 centesimi, which to their thrifty notions seems quite punishment enough. There is something naïvely simple, almost patriarchal, about these co-operative 'parish councils,' in which every member claims the exercise of his right to

vote. There the members settle the instructions for the elected Council — which meets once every fortnight, to check accounts, receive savings, and consider applications for loans. Here and there the General Meeting will limit the lending powers of the Council to 300, or 500, or 600 lire, as the case may be, per credit to any one individual; and to a larger figure for collective lending, while at the same time determining the interest to be charged on loans and allowed on deposits. At Loreggia the members began by limiting their Council's discretion to 10,000 lire, which they soon extended to 16,000 lire. At Vigonovo they began with 20,000 lire, to substitute, shortly after, 30,000. All the expenses are cut down to a minimum. The poor *cassa* of Loreggia, to state one instance, cannot afford to pay its cashier £37, 10s, as does the opulent *Darlehnsskasse* of Mülheim. It allows him forty lire (32 shillings) per annum, and all its annual expenditure totals up at only 58 lire (£2, 6s. 5d.).

One would think that with a Post Office Savings Bank always open, the villagers would for convenience prefer to deposit their savings there, rather than wait for the fortnightly meeting of the Council of the *cassa*, which allows them not a farthing more— $3\frac{1}{4}$ per cent. But the vast majority bring their money by preference to the *cassa*. It is their own. It is administered by themselves and their officers. They take a pride in its success. For other deposits the *cassa* allows $3\frac{1}{4}$ and $3\frac{1}{2}$ per cent. up to a figure settled by the annual meeting, and above that 3 per cent. only. For loans, of course, the villagers have no other bank open to them than the *cassa*, and they appreciate its beneficent ministrations all the more. And hence its rare educational value. In respect of personal qualifications it is strict as none other. A man may be as poor as a church mouse. That

Popularity of
Co-operative
Savings-Banks

Educating Ef-
fect of the
Casse.

is no bar to his election, more particularly since the *casse* require not a penny to be paid down for shares. But he must be honest, and sober, and thrifty, and well-conducted, and thoroughly trusted by his neighbours. And he must be able to write and read at any rate rudimentarily. Under the joint influence of the *banche* and *casse*, illiteracy, which used to be as rife in Lombardy and Piedmont as ever it can be in Ireland at election time, is being rapidly stamped out. In the applications and receipts preserved by the *ragionere* you can trace the progress of sexagenarian scholarship in elementary caligraphy, in the gradual softening and rounding of those straggling characters which stand for their names. 'The illiterate learn to write, in order to be admitted to the *cassa*,' reports M. Rostand, 'because every member must be able to sign his Christian and surname. The door is closed mercilessly against those who have contracted the habit of drinking; they have mended their ways and after that have been admitted. The rules demand guarantees of personal morality: the small field-thefts have diminished, because such or such an one has been expelled. The principle of mutual aid has grown more vivid. Conscientiousness in paying was formerly instinctive; now people have learnt to be punctual as well in their payments.' It seems something like the millennium realised. The needs of personal interest properly turned to account, have proved more persuasive than the eloquence of priests and the arguments of temperance preachers. The little band realise to perfection Signor Levi's ideal of a co-operative society — 'an honest and industrious family,' in which all members feel strongly drawn to one another, 'where all gladly render gratuitous service, well knowing that in studying the common good they are at the same time furthering their own private advantage. Hence

the volunteer service, hence the love which binds all members to their Bank, hence the power which enables them scrupulously to carry out all the work which they have undertaken.'

Among such a model constituency as this there is rarely any occasion to refuse a loan. The borrower has to state his object, as in the Raiffeisen Banks. He may want to buy a heifer, or some artificial fertiliser, or timber for carpentering, or some leather for making shoes. All these items are recorded in the minute book, which shows a surprisingly varied collection of different wants supplied. And to the object stated he must adhere. Dr Wollemborg has not adopted the four-weeks'-notice-clause which in the Raiffeisen Banks ensures conscientious employment. But he manages to secure the same object in a different way, which at first sight is bound to appear a little round-about and self-contradictory, but which is said to work well in practice. For whatever term the particular loan be granted—in respect of length of time and repayment by instalments Dr Wollemborg adheres altogether to Herr Raiffeisen's rules—it is actually *lent* only for three months. Every three months it has to be formally applied for and granted afresh. By this means, it seems to be held, the sense of the *conditional* character of the loan—conditional upon proper employment—is more forcibly brought home to the borrower, and he is effectually put upon his good behaviour. The interest ordinarily charged upon loans is six per cent.—which seems a little high in comparison with the Raiffeisen rate, but may be justifiable in view of the greater need in its early years of so poor a society to build up a reserve, and also of the higher bank-rate prevailing. To that reserve every surplus is religiously applied. There are no salaries beyond that paid to the *ragionere*, and there

Safeguards
adopted in
Lending.

can be no dividend, because there are no shares. Thus the whole system, though in some particulars a little differently organised, is in the main the same as in the German Raiffeisen Banks: simple borrowing and lending, careful checking of everything, cheapness in service, caution in granting loans, strict avoidance of everything that is risky.

Unlimited
Liability ren-
dered harmless

And the result has been equally happy, though not yet, of course, equally large. Unlimited liability has proved devoid of any element of danger. There has not been a farthing's loss yet in any of the banks. Members have left the country, but they have sent in their payments. In one case a poor fellow found himself really unable to repay his loan. The fault was not his. And with a pride of class which might be commended for notice to people in higher positions, his comrades made up the small amount between them, so that the *cassa*, to which they were all affectionately attached, should suffer no damage.

Growth Slow
but Sure¹

Slowly the *casse* have multiplied; but everywhere they have done well and rendered much thankworthy help. '*Elles sont administrées avec un enthousiasme et un dévouement*,' says M. Léon Say, '*qui ne se démentent nulle part, et elles réussissent partout*.' Theirs has been the task of seeking the hundredth sheep, and sweeping the floor for the lost piece of money. They were planted on dry and thirsty land, and their fertilising work may be compared to that of the lupine, which, sown on barren sand, where no other plant could live, sends down its roots feet below the surface, to draw up from the subsoil, particle by particle, the valuable mineral constituents sparsely distributed in the soil, and with the treasure of nitrogen absorbed from the atmosphere, and its own vegetable fibre added, builds up, layer by layer, a mould able to bear far more valuable crops. M. Yersin,

using an equally apt simile, compares the People's Banks to a forest, which at the same time accumulates fertilising matter, dispenses shade and freshness, yields a valuable crop of timber, and improves the climate and atmospheric conditions of the district.

A few words ought to be said about the spread of the *casse*. From the outset they had the Italian (Roman Catholic) clergy for their warm friends, and much of their progress is attributable to the loyal help and active support of a class whom many of us in the United Kingdom—wrongly, it is plain—still look upon as being, by principle or prejudice, determinedly hostile to co-operation. In the administration of the Italian *casse* as a rule the local *cure* takes a leading part. Thus it was in Loreggia, where the good work was begun in 1883, with the result of 7,510 lire being lent out in the very first year. The number of its members has now grown to 121, and its annual lendings amount to 1,300, 1,500 and 1,600 lire. Its reserve stood two years ago at 1,487 lire—little enough, but a good deal to raise up out of nothing. As to the moral efficacy of the work done, the testimony of the parish priest has already been quoted. The year 1884 saw four more *casse* established—at Cambiano, Fragnigora, Trebaceleghe and Pravis domini. From thenceforth every new year has witnessed further additions, and now, nine years after the inception of the movement—at a period corresponding to that at which Herr Raiffeisen could boast only four 'Loan Banks'—there are sixty-four. The *casse* are throughout small, and established in small localities. The one in Vigono has now 165 members, which is about as many as there are independent householders in the village. When first it was formed, it succeeded in enrolling only 52, like Loreggia. In 1889 it lent out 34,147 lire in 151 loans. Its reserve stands at

Spread and
Operations of
the Casse.

'La réalisation
de l'idéal co-
opératif.'

1,441 lire. Abano is a *cassa* of much more recent formation, and has as yet scraped together only 39 lire of reserve. But it has lent out in all 34,000 lire, which according to M. Rostand's seemingly careful calculation has secured to borrowers on an average a profit of 15 per cent., after allowing for interest. 'Five thousand lire of profit got out of nothing,' M. Rostand exclaims with admiration, 'in this little village, for the humblest of cultivators; five thousand lire simply put into the pockets of small working folk!' The 34,000 lire have done very much more. They have made the poor people self-reliant, business-like, and kept them honest and well-principled. Wherever the banks go, it is everywhere the same tale:—cultivation improves, small trade is stimulated—'*la petite culture se développe avec une énergie croissante*,' testifies M. Léon Say, '*et les opérations de crédit agricole du réseau des petites banques ne sont pas un des moindres encouragements donnés à cette petite culture*.' 'As deposits grow,' writes the parish priest of Fallér, Dom Filippo Poletti, 'the taverns are forsaken.' Neat houses spring up where there were hovels, gardens are seen carefully trimmed, the *cheptel* become the peasant's property, and everywhere the usurers find their occupation gone. '*Tout cela*,' writes M. Rostand, after his second visit of inspection, '*c'est bien la réalisation pratique de l'idéal coopératif au village. Il n'est pas possible que par l'union, l'esprit de la solidarité*.' 'In truth,' he goes on, 'this second visit has satisfied us more and more that the small co-operative institutions with unlimited liability possess, along with their practical utility manifest on the face of them, a social utility peculiarly worthy of notice. Freed from usury, the peasantry have regained courage and confidence. They feel a love for and a pride in, their humble insti-

tutions of agricultural credit. They expel from them everyone who has the habit of living at the expense of others, or a taste for drink. Such and such idle person who was maintained by the parish or by charity has been assisted by a loan, and has got his name erased from the list of paupers receiving relief, in order to become a member. Members attend the meetings assiduously, and there follow all the proceedings, the granting of loans, the investment of funds, the progress of liberation with keen attention. The punctuality of payments is rigorously upheld. The illiterate have learnt to write (M. Rostand was pointed out several sexagenarians who had been taught by their grandchildren); you can tell their signatures by the uncouth characters. We must confine ourselves to stating what deep impression this new visit has left upon the mind of every one of us.' One more testimony I quote from Dr de Portis, the surgeon practising in Loreggia, with regard to the *cassa* in his own village:

'The peasant who previously, helpless and forsaken, proved a ready prey to the most shameless usurer, and had no choice for himself but between extreme misery and dishonesty, has now risen to a sense of human dignity. He is proud of being a member of the Association, and of taking part in its management. In it he acquires a sense of self-respect, of independence, a love of work, of honesty, and punctuality. Usury finds its occupation gone. The usurers themselves are compelled to acknowledge the good done by the Association, though they have to leave the district. Our peasants declare: We mean to bring up our sons with a love of work, in order that they may take their place among the *galantuomini*.'

Does it not make one's mouth water to read of the magician's work done by these '*attachantes institutions, dont l'humilité est la beauté?*' It is all so modest, so simple—so small, if you will. It is all purchased with

personal pains, with watchfulness, care and scrupulous thrift. There are as yet none of those millions which make Signor Luzzatti's work so imposing, none of those marble palaces and masses of gold accumulated. But the persons whom the beneficent work has enriched could not possibly have been reached by any other means. The happiness diffused, the culture spread, the prosperity of which as yet really only the seeds have been sown, but sown surely, are likely to weigh as heavy in the balance of success as the much larger riches more easily accumulated where populations are dense and the materials of wealth lie all ready to hand. Brick upon brick, 'here a little and there a little,' the structure is being raised, which is likely to stand all the more enduringly, and the more securely, and to prove the better stronghold of thrift and wealth, because every inch of it was raised by an effort, and cemented with virtues and sound principles instilled.

CHAPTER IX

THE BELGIAN 'BANQUES POPULAIRES'

BELGIUM, vigorous, pushing little country that it is, Local Conditions favouring Co-operation. akin to ourselves in many things, and therefore often styled 'the little England of the Continent,' has its own history of co-operative credit, conveying several useful lessons which, in view of an admitted similarity of circumstances, may well commend themselves to our notice. Its soil seems unquestionably favourable to co-operation. Its founders appear almost to have foreseen that when for the newly-formed kingdom they selected the apt motto: *L'Union fait la force*. There are no more useful supply associations than the Belgian *Vooruit* and its counterparts—of all of which unfortunately political partizanship has seized the crank, to work the serviceable machine avowedly with the object of furthering Socialism on one side, and Ultramontanism on the other. The *Unions du Crédit*, which have become most popular throughout Belgium, France, and Switzerland, with offshoots penetrating into Denmark, Germany and Austria, are admittedly of Belgian origin. And there are other cognate organisations, all of which appear to indicate a national predisposition to co-operation, and to justify the institution—in Belgium alone of all countries—of a special decoration for co-operators:—the '*croix des mutuellistes*.'

Origin of the
Banques Popu-
laires.

On such soil it was to be expected that the seed dropping across the frontier from the fruitful tree planted in Germany would rapidly strike root and grow up a goodly plant. In fact, it is nearly thirty years since M. Léon d'Andrimont, a devoted disciple of the master at Delitzsch, raised up at Liège the first seedling, which shot up like Jonah's gourd, but has shown a far greater tenacity of life than its prototype, since up to last year it remained the premier Co-operative Bank of the kingdom, with above 2,640 persons for its members, surrendering the proud position to the sister-institution of Verviers in this year only by a very small decline in numbers. We owe the Belgian People's Banks two lessons which to us specifically ought to be rather welcome. In the first place, by their admirable management they have shown that, by able administration and the elimination of the vicious principle of commissions and other incitements to selfish greed, banks of the Schulze-Delitzsch type may be rendered perfectly safe. In the second, they appear to dispose of Schulze-Delitzsch's contention, (with regard to banks of his own type), that unlimited liability is an *indispensable* condition to success. These Banks were indeed originally formed with unlimited liability. M. d'Andrimont, timid to improve upon his master's work, deliberately made them an *exact* reproduction, in every particular, of the German Credit Associations. But within five short years the principle, of which the consequences appear never to have been fully realised, was thrown overboard in all banks save one, the little *Banque Populaire* of Saint Nicolas, which has clung faithfully to the German tradition. (Mr Gosselin, when writing his Blue Book Report, does not appear to have been quite aware of this fact.) It is true, about half the Belgian People's Banks may be said to be still fluttering midway between

They reject
Unlimited
Liability.

'limited' earth and 'unlimited' heaven. But in the main their liability has become limited. And the work done, so far as it goes, has not been one jot the less efficacious, nor has credit been any the worse, for the change.

Nevertheless the Belgian *Banques Populaires* cannot be counted an entire success. They grew up quickly, but they have long remained stationary, with one or two added or withdrawn every year—sixteen, seventeen, then fifteen—representing a constituency of 10,000 or 11,000, keeping very solvent, doing a fair amount of business in a very business-like way, but never really extending their sway or becoming genuinely popular, even among those teeming millions of the most populous, and the busiest little country of Europe, in which Ministers and economists—like M. Graux and M. Beernaert—never weary of calling out for some popular form of credit, more especially agricultural, which latter desideratum, just as in France, forms the particular pet hobby of financiers. 'How is it,' plaintively asked the president, M. d'Andrimont, at the Congress of People's Banks, held in 1888, 'that, having been founded nearly twenty-five years ago, the People's Banks have not grown more numerous?'

The French economist, M. Limousin, in agreement with M. Julius Schaar (Director of the *Banque Populaire* of Brussels), supplies one very plausible answer: the Banks are not 'popular' enough. 'The People's Banks,' writes M. Charles M. Limousin in the *Journal des Économistes*, 'become in Belgium less and less popular, that is to say, less and less useful to the poorest class of the population.' That is, of course, the inevitable fate of banks which base their business upon tolerably substantial shares and stiff rates. 'Soon,' M. Limousin goes on, 'they will have nothing that is popular about them except the name.' M. Schaar declares that 'the People's Banks cannot be useful to simple artisans.' M. Limousin

Their Defects.

They are not sufficiently 'Popular.'

believes that out of them some day may grow '*des institutions sérieusement et sévèrement organisées*' which will answer the purposes for which the People's Banks were formed. But that is a development still to come.

They want Distinctive Local Character.

This frank judgment is calculated to prepare one for what probably is the true answer to M. d'Andrimont's question. The Belgian Banks have not grown in number and in influence, because they have too little that is local and original about them. They are a German plant put into a Belgian pot, not, like Signor Luzzatti's *banche*, a German set planted on new soil, in which it can expand its roots and really and truly become part of its new country. The rejection of unlimited liability can scarcely be held answerable for the unsatisfactory result. It is true, in the Belgian Banks the shares were for a long time, generally speaking, larger than in the German—which may or may not be the consequence of limiting liability. It seems rather to have been suggested by Herr Schulze's principle of making such banks 'compulsory savings banks,' which M. d'Andrimont carried out with greater consistency than his master. The large shares do, indeed, keep out many small men. But, in the main, in composition the Belgian Banks seem pretty much of a piece with the Schulze-Delitzsch Banks in Germany, that is, they appear recruited from the same classes. M. d'Andrimont in 1864 advisedly followed Schulze in every particular. Word for word he translated the Schulze Rules into French, and in practice he produced an exact stereotyped reprint of the German bank. Now, it is a rather significant fact that nowhere do these purely mechanical reproductions of 'Credit Associations' appear to answer. It plainly marks their inferiority to the 'Loan Banks,' which succeed everywhere. In Russia, in Denmark, in

Holland, in Sweden, in Belgium—it is everywhere the same tale:—the Schulze-Delitzsch Banks started on strictly German lines have vegetated, languished, sometimes died off; nowhere have they produced the best kind of fruit. Owing to the command of exceptionally able men for their administration, they have, outside Germany, done by far the best in Belgium. But even there they have attained only a partial success. Where co-operative banking systems have been adapted and re-shaped, in sympathy with the habits of their new *clientèles*—as for instance in the *banche* and the *casse* of Italy—there they have flourished and advanced from triumph to triumph.

As regards business management, the Belgian banks could scarcely be improved upon. At the outset they certainly fixed the value of shares very high; for the most part, they have now come down, at any rate, to 200 francs (£8), with three francs added for entrance fee, and 50 centimes for the *livret*. In about half the number of the banks (8 out of 17) this questionable property qualification ensures the compensating advantage of limiting liability to the amount paid down. In the larger half (including the principal banks) what will appear to most of us a rather inconvenient compromise between limited and unlimited liability has been adopted, namely, the limitation of liability to a fancy multiple of the value of the share, which in one case, that of Ghent, rises up to as much as 5,000 francs. From what M. Micha, the Secretary General of the Federation of Belgian People's Banks, says in one of his writings, it seems not unreasonable to anticipate that even this partial submission to Herr Schulze-Delitzsch's principle—which has become popular in several other countries—is likely to be repudiated after a time.

Their Admir-
able Manage-
ment.

Their Compo-
sition.

As one might expect, the constituency on which such demands are made, is not recruited from the very lowest ranks of society. It consists, for the most part, of small tradesmen, with a sprinkling of the professional element. But to some extent evidently it is drawn from pretty humble depths. Thus M. d'Andrimont relates, as an encouraging example, the instance of a poor hawking baker, who had long been in the habit of hiring a barrow for carrying his wares, at the rate of 30 centimes a day. A loan of 100 francs obtained from the People's Bank at Liège enabled him to buy a new barrow for cash, for which he paid at the old rate, 30 centimes a day, within a year, keeping over at the end the barrow as his own. There is more evidence, showing that the poor are not forgotten by the banks, to be found in some of the surprising variety of uses to which the institutions are put, and in the facilities offered for payments due. Thus the large shares may be paid for by instalments of 50 centimes a week or 2 francs a month. Among the many various purposes for which the help of the Belgian banks may be invoked, two which are peculiar to the country, seem deserving of notice. The banks undertake to find (for members) the caution-money which has to be deposited on the acceptance of certain employments, and they also advance the sums required by law to buy off conscripts drawn for military service. In respect of the election of members, the Belgian banks exercise care, but evidently not in the same severe degree which in Italy and in the Raiffeisen banks makes approval of a candidate practically a testimony of good character. 'To be admitted as member of a *banque populaire*,' writes M. d'Andrimont, 'it is sufficient for a man to be honest and industrious; to obtain a credit, all that is required is, to comply with certain prescribed rules.'

Those rules provide, generally speaking, that, whenever claiming a larger amount than $1\frac{1}{2}$ times his payments already made, the borrower must find security or sureties satisfying the directors. In respect of administration, the banks are thoroughly democratic, and realise M. d'Andrimont's ideal of 'universal suffrage applied to purposes of credit.' The Council of Administration, on which rests the responsibility of management, is freely elected by the members at the General Meeting. From its midst it selects an Executive Committee and a *Comité de Surveillance*—the latter answering to the Raiffeisen 'Council of Supervision.'

No doubt, within their own sphere—the last roll of members published shews a constituency of 10,356—the banks do a great deal of good. Their savings banks are kept well supplied, so far as they have been adopted, that is, seemingly by six banks only. The People's Bank of Verviers alone last year reported deposits amounting to 1,748,891 francs. The six banks referred to between them held 2,689,164 francs. In 1891-2 the seventeen lent out between them 36,067,442 francs (£1,442,696) and did an entire business of 156,908,109 francs (£6,276,324). The Bank of Ghent alone, by no means the largest, as having only 1,264 members, but the most thriving, lent out 14,466,690 francs; the Bank of Verviers, having 2,598 members, followed next, with 5,946,311 francs, and Liège came third with 3,830,347 francs. From these figures the transactions shade down by degrees to the humble 19,270 francs lent out by the junior bank of all, that of Jumet. The lending, unfortunately, is done at rather high rates, somewhere about 7 per cent., sometimes 8, which ought, one would think, in view of the moderate interest allowed on deposits ($3\frac{1}{2}$ per cent.), to produce higher dividends than 2, 3, $3\frac{1}{2}$, $4\frac{1}{2}$, 5 and only in two cases out of seventeen 7 with, in the

'Universal Suffrage applied to Purposes of Credit.'

Strength and Operations of the Banques.

case of Ghent, a further consideration added, in the shape of one-third of the commission returned to members. Of course loans are only made to members. The management expenses seem low : the Belgians pay only their *gérant* (director) and their secretary. They all have provident funds for the employés, which in the last year stood at 118,820 francs. The aggregate capital is returned for last July at 2,290,174 francs; the reserve at 270,947 francs.

Neglect of
Agricultural
Credit.

One great source of grief to the Belgian Government is the fact that the *Banques Populaires* have not been able to turn their machinery to account for the creation of agricultural credit, which, as observed, is in Belgium a special hobby. Nor does it seem likely that they ever will. The question has been more than once propounded at annual Congresses, and under the influence of Government exhortation definite proposals have been submitted. But, more business-like than their German brethren—who resent the imputation that their banks are not able to adapt themselves to agricultural requirements without serious risk or loss—the Belgian members have invariably declined to lend their countenance to any attempt to turn a town weapon to a country use. MM. Rolin-Jacquemins and Delisse, more in particular, have spoken out very plainly upon the folly of attempting the impossible.

In view of the peculiar advantages which Nature and a highly developed civilisation have assured to the Belgian cultivator, who has excellent markets everywhere within reach and everything telling in his favour, it might almost be thought that in Belgium agricultural credit (otherwise than on mortgages) must be superfluous. On no point, however, are Belgian statesmen and economists more at one, and on no point do they lay more stress, than that such ought to be provided. The

higher the cultivation, the more fully does the necessity of an ample working capital appear to be realised.

'Agriculture is changing and must change,' says the Minister M. Beernaert; 'change is for it a condition of existence. It finds itself to-day in conflict with conditions altogether different from those of earlier days, and in such conflict it can have no prospect of success except by arming itself according to the fashion of the day. We want more artificial fertilisers to-day, and more powerful ones. We want machinery and many other things that our fathers never dreamt of. These new appliances ensure a higher yield; but they demand, on the other hand, a larger working capital. On this ground, as everywhere, then, credit is desirable.' In Belgium 76·155 per cent. of the land cultivated is in the hands of tenants, and for these people mortgages are of no sort of use. The prodigious wealth of the country has helped to stave off the agricultural crisis, but it has failed altogether to avert it. The crisis has come late, but it has come. And when it came, the farmers found that in the time of prosperity they had thrown away their weapon of defence, and that against the visitation they were entirely helpless. They had localised their banking in their own unprofitable way, carrying their savings regularly to a *notaire*, who allowed them a low rate of interest—to lend back to them in turn their own money at a high rate.

As in France, in Belgium the Government has long endeavoured to create a popular form of agricultural credit on non-co-operative lines. It has placed the practically exhaustless treasures of the National Savings Bank at the service of cultivators through the intervention of *comptoirs agricoles*, appointed in each district, and endowed with ample powers of discretion. The experiment has, however, led to scarcely any results.

Necessity of
Agricultural
Credit.

Belgian At-
tempts to
create such.

The simple cultivator who, as both M. Graux and M. Beernaert have pointed out, habitually shrinks from 'the indignity' of borrowing, and can only be coaxed into it by having credit administered by men with familiar faces and heads which understand his case and his needs, would never take to these strange gentlemen. In 1889 there were but four *comptoirs* existing. And of those four only one, that of Genappes, showed any signs of life. Between them the four had in 1889 lent out 810,120 francs—a poor £32,404—of which some 555,900 francs was lent in sums of 10,000 francs each and more, and could not therefore very well have gone into very 'small' pockets. So now for agricultural credit the Belgian tenantry have no resource open to them but the imitation-*Bauernvereine*, started by Professor Francotte, in which their landlords kindly dispense to them influence along with loans. The best-known of these institutions is the *Banque Populaire* of Argenteau, which has *membres fondateurs* (landlords) joining for thirty years, and taking up from 1 to 5 shares each, which carry no right to borrow but, practically, the privilege of sole management; and *membres effectifs*, who take only one share each—paying for it by monthly or weekly instalments, of respectively 2 francs, or 50 centimes—who may withdraw, who may borrow, but who have little to say in the administration. The whole institution is much on a level with our philanthropic parish clubs, by means of which the squire and the parson afford poor people in their parish very kind and very well intended help, but without materially promoting the exercise of self-reliance by 'self-help.'

The 'Unions
du Crédit.'

In addition to the forms of co-operation already enumerated, there is one institution of co-operative credit indigenous to Belgium, which deserves brief mention. It does not exist for the benefit of agriculture,

nor for that of very poor people, but for the use of smallish tradesmen and manufacturers, to whom the command of a liberal credit represents a very desirable convenience. For their benefit in 1848 M. Haecck organised the first specimen of a co-operative association which has, as already indicated, become a favourite type on the Continent, and which is answerable for an immense amount of credit placed at the service of trade and industry—credit amounting in the aggregate to many millions. The *Unions du Crédit* are exceedingly popular; and it is rather surprising to learn that in practice they have been found no less safe. For at first glance to us slow-going English they would appear a rather ingenious combination of extreme simplicity with very serious danger. An indefinite number of members join together, each taking up, say, one share of 200 francs. On this they pay up 20 francs each, in some cases only 10 francs. But the share entitles them to two hundred francs of credit, on paper to which the *Union* affixes its signature, and for which the *Union* becomes responsible. Of course, in any case of default, the *Union* has its remedy against members, and of course it can also in case of need call up the full amount of the shares. But of all this outsiders know nothing. They buy *Union* paper and look to the *Union* for its redemption. In many *Unions*, more particularly in Switzerland, members are allowed to take up a number of shares, in some *Unions* as many as two hundred; so that, on our assumption, a man might subscribe 40,000 francs, and by payment of 4,000 francs become entitled to credit for the larger sum, for which his brother member, taking only one share, is to the extent of that share responsible, as is the two-hundred-share member for the debt of the one-share member. The whole thing is workable only on the

supposition, which thus far has been verified, that the *Unions* elect their members with *extreme* caution and discrimination, so as to allow admission to scarcely any black sheep. In practice, wherever *Unions* of this type have been established, they have been found remarkably successful. The very first one formed gave an earnest of this, living safely, in the very first period of its existence, through a crisis almost unparalleled for severity. In Switzerland the *Union Vaudoise du Crédit* of Lausanne began in 1864 with 150 members only, and a collective credit of 24,000 francs, to increase before long both figures, the one to 1,786 and the other to 305,280, while spreading out its system over neighbouring towns. The *Crédit du Léman* and *Crédit Yverdunois* are equally prospering associations.

Apart from this rather dangerous speciality, we learn, then, from Belgium that with proper caution, with a careful avoidance of risks and of bribes, with the exclusion of mortgages from ordinary operations, and generally with a business-like restriction and organisation of work, the liquidations and failures which have secured a bad name to the Schulze-Delitzsch associations in Germany, are avoidable. And, moreover, that Schulze-Delitzsch co-operation may safely be practised with *limited liability*—to the exclusion, indeed, in the main, of truly popular lending, and of lending to agriculture, but not without appreciable benefit to large classes, for whom credit is particularly desirable. In a country like Belgium one may well join in the wish expressed by M. Limousin, that in the course of time from these only half-popular but well-managed banks may spring forth People's Banks truly popular and affording satisfaction to a want which, on the shewing of statesmen and economists alike, is strongly felt.

Table showing the business and present position of the
Belgian *Banques Populaires*.

	Date of Foun- dation.	No. of Mem- bers.	Money lent in 1891-92.	Entire Transactions in 1891-92.	Savings Banks Deposits 30th June '92.	Paid-up Share Capi- tal and Reserve.	Divi- dend paid 1891-92.
Liège . . .	1864	2394	<i>Francs</i> 3,830,347	<i>Francs</i> 14,050,769	<i>Francs</i> 726,997	<i>Francs</i> 426,396	<i>f. cent</i> 3½
Huy . . .	1865	712	302,663	748,367	<i>nil</i>	129,138	5* (4†)
Verviers . .	1865	2598	5,946,311	29,219,853	1,748,842	577,799	6
Ghent . . .	1866	1264	14,466,690	76,382,587	<i>nil</i>	327,633	7†
Namur . . .	1869	674	2,661,740	9,479,992	<i>nil</i>	184,588	4
Saint Nicolas } (Waes) }	1869	305	558,123	568,259	2,586	63,581	3
Antwerp } (City) }	1873	464	1,745,601	6,942,214	182,164	181,614	5
Dinant . . .	1873	274	380,962	1,074,527	<i>nil</i>	54,457	2
Chatelet . .	1873	414	278,017	1,725,995	<i>nil</i>	97,676	7
Malines . . .	1874	265	521,384	1,372,043	<i>nil</i>	63,637	4½
Andennes . .	1874	392	1,586,678	8,270,000	<i>nil</i>	113,508	5
Termonde . .	1875	85	193,797	1,075,578	<i>nil</i>	24,928	3
Alost . . .	1886	68	835,730	1,680,376	10,000	27,697	5
Goë-Limbourg .	1888	85	122,877	340,091	<i>nil</i>	14,362	5
Antwerp . } (arrondissement) }	1889	256	2,593,953	?	18,525	250,278	3
Argenteau . .	1889	36	23,289	144,686	<i>nil</i>	6,143	4
Jumet . . .	1891	70	19,270	3,832,760	<i>nil</i>	17,735	3
Total		10,356	36,067,442	156,908,109	2,698,164	2,561,121	

* To members having done business above 300 francs. † To members having done less than 300 francs worth of business. ‡ Plus ⅓ commission returned.

CHAPTER X

CO-OPERATIVE CREDIT IN SWITZERLAND

Distinctive
Character of
Swiss Money
Co-operation.

IN Switzerland money co-operation has grown up very slowly, and when it did grow up, it developed in a form which has made it a point of dispute among co-operators of the more rigid school whether it is genuine co-operation at all. That may be one reason why an account of it has not found a place in our Blue Book of 1886; for in these matters we are apt to take our cue from our neighbours. Swiss co-operation is in the main extremely 'business-like.' It studies most assiduously its supporters' pecuniary interests, eager to extend the sphere of its useful operations, zealous to do its best by members and their pockets, but not aiming at very much beyond—except it be, incidentally, to promote saving and thrift, in their aspect of economic virtues. With such objects it may fairly be described as a little selfish. There is none of that 'Christian socialistic' nimbus about it, which in this country seems to encircle our own co-operative action as with a peculiar halo of glory; no high ambition, like that of the Rochdale Pioneers, to reform trade, improve wares and make people honest. 'Cheapness' and 'profit' are the watch-words—cheapness, sometimes even to the disregard of quality. And when, by a stroke of good luck, Fortune gives to co-operators a handsome surplus—as it did some

time ago to a Society in Zürich, putting £4,000 of cash unexpectedly into their pocket—then the temptation to ‘share out’ appears to become overpowering. The members secure their prize—in Zürich it was £16 a piece—and rush off each with a slice of the common goose, trusting to a kind fate to find them in more eggs, and, should that fail, quite content, after their lucky ‘spec,’ to leave co-operation to take care of itself. It is not merely greedy Teutons who indulge in this short-sighted ‘cheap and nasty’ co-operation. The *Journal de Genève*—certainly not a prejudiced witness—brings home the charge more especially to Swiss of its own Latin speech, French and Italian.

All this is very true. But in spite of it all, in a co-operative aspect Switzerland is extremely interesting—not merely because of the variety of forms in which its co-operative aspirations—scattered indeed, and broken up into a multitude of fragments—have sought a vent. There is really not a little genuine co-operation nestling unobtrusively and scarcely observed in the valleys between those giant hills. And even where it is only mere ‘business’ co-operation—a most useful agent among the factors which produce national wealth and contentment—it is marked by features—such as a business-like clearness of aim, apt organisation, and masterly management—which make it exceedingly well worth studying. There could not be a better administered business establishment, for instance, than the *Schweizerische Volksbank*, the rules and practice of which, M. Durand conjectures, have served to German legislators as a model whereon to frame their own co-operative law of 1889. No doubt there is by the side of all this much spurious co-operation, money-lending for purely individual profit, practised, by way of imposture, under a co-operative name. Almost everybody who

Its Interesting
Features.

Spurious ‘Co-
operative
Banks.’

has a little spare money in his pocket, and a desire for turning it to account, seems to set up a 'co-operative bank' of his own. M. Durand will have it that there are no fewer than nine hundred such in the little Republic, many with only 10,000 francs (£400) of capital of their own to work with, one with merely a little over 1,000 francs. Oddly enough, at rates which must needs be usurious, these pseudo-co-operative banks, though collapsing every now and then with a little explosion, seem in the main to be doing a good business, paying profits, and attracting other people's money in considerable sums. Thus, in 1882, the little *Caisse d'Épargne du district de Moutiers*, with only 20,000 francs of its own, managed to lay hold of deposits to the amount of 2,115,760 francs, which enabled it to operate very profitably. The fault of all this state of things is to be found, not in a national failure to appreciate the value of true co-operation, but in that republican freedom, which allows every canton to legislate on this matter absolutely for itself, and under shelter of which nominal co-operation has supplied a most convenient instrument for the gratification of the common human desire to do profitable business at other people's risk. More especially up to the year 1881 was legislation on co-operative enterprise very backward and insufficiently clear in its definitions. Hence that perfect Babel of co-operative institutions, which probably not even a Swiss co-operator could fully master or explain.

The Swiss essentially a Co-operative Nation.

By the very nature of the conditions in which Providence has placed them, the Swiss are almost compelled to practise co-operation. They were driven perforce to political co-operation in defence of their freedom and independence. And in matters economical, their oldest and most characteristic industry, the manufacture of that cheese which we know by the name of *Gruyère*,

but which throughout German-speaking countries is distinctively spoken of as 'Swiss,' has from time immemorial made co-operation a necessity. That cheese is not to be produced except by the combined action of a number of dairies, as a means of equalising the product. Hence *fruitières* (co-operative dairy associations) have been, in Switzerland as in France, one of the earliest institutions known in agriculture; and they still survive, all of them excellently managed—some with as many as sixty cow-keepers to support them, of whom one may possess a large herd and another only a couple of beasts. The Fruitières.

Co-operation in dairying, it may have been which in Switzerland, and more particularly in the Canton of Thurgau, first led, by a natural sequence of ideas, to co-operation in the purchase of cattle. The matter deserves mention here, because it may possibly prove of practical interest to ourselves. For if, having given 'Hodge' his 'three acres,' we should ever feel impelled to complete the fulfilment of the vow registered in 1885, by resolving to give him also his 'cow,' it may very well be that the Swiss manner of doing this at County expense—yet in the end at no one's expense at all—may recommend itself to our lawgivers. There are now in the Canton of Thurgau no fewer than thirty-five cattle-purchasing co-operative associations in existence, ministering to a population of 22,230, one in each parish, no matter whether that parish have but sixty inhabitants or close upon two thousand. For more than forty years have these *Caisses Thurgoviniennes* kept the inhabitants in milch-cows and heifers, rendering invaluable services in their own humble way, and all doing well in return, and receiving their money back punctually, with interest which promises to enable them in course of time to extinguish the debt incurred at the outset, and put in its place a sufficient self-supporting Co-operative
Purchase of
Cattle. The Caisses
Thurgovi-
niennes.

fund of their own. And all this has proceeded from the initiative of the parishes themselves. Only quite lately has the Cantonal Government voted subsidies, to the amount of 1,500 francs a village, not by way of necessary assistance, but as an encouragement to the extension of an useful practice. The *modus procedendi* is really very simple. The Commune—that is, the parish—by a vote of its inhabitants, resolves to raise a fund by loan. Out of that fund any villager who can make out a case and shew that he really wants to buy a beast, is entitled to receive an advance, up to a maximum figure of 300 francs per beast to be bought. He must enter into a bond to repay the sum with interest by regular instalments and, also, to buy from nobody else on credit. That done, he receives his money, and may buy wherever he chooses, paying cash. Should he fail in any of the duties undertaken, his loan is at once declared forfeited and repayment is enforced. For the debt contracted by the parish of course the parish is collectively responsible, which involves unlimited liability on the part of every parishioner up to the amount of the debt. The needs of different parishes naturally differ according to circumstances. In 1889 the little village of Wattenweil, having but 140 inhabitants, lent out 4,750 francs, the larger village of Marweil (311 population) 5,980 francs. The repayments in these two cases amounted to 3,980 francs, and 4,597 francs respectively. Sometimes the fund raised proves excessive, at other times insufficient; but the difference is never very large. The village of Tagesweiler in the year mentioned, having a fund of 220,987 francs, found itself called upon to grant 27,000 francs in advances; in Huttlingen the demands made on a fund of 18,470 francs amounted to only 17,980 francs. The repayments are made with praiseworthy regularity, as a rule

keeping the fund, once it has been started, in a state of equilibrium. Thus in 1889 the thirty-five parishes between them, beginning with claims upon their members to the amount of 400,158 francs, raised in addition 111,594 francs on this account; and at the end of the year the balance standing to their credit was 415,872 francs. Once the thing is set in motion, it keeps itself going; and in course of time no doubt the *aes alienum* will become cleared off, and the parishes will be enabled to render all the less costly assistance.

That is not the only instance of useful co-operation practised among Swiss husbandmen. With bolder originality than our farmers have ever exhibited, Swiss farmers have combined to form co-operative smithies, which have saved them a tidy slice out of their annual farming expenditure. For a long time they have had their co-operative insurance associations against hail and cattle plague, in some cases also against fire—which in the cantons of Vaud and Geneva are admitted to have proved superior, and much less costly in practice than the joint-stock insurance companies. The Geneva *Étal des Agriculteurs* was probably the first Farmers' Supply Association ever established. And according to the testimony of Dr von Hamm, this co-operative butchery answered brilliantly.

Co-operative
Smithies, In-
surance Socie-
ties and Butch-
eries, all highly
successful.

If in Switzerland co-operative credit of the more approved type has thus far shown itself rather backward, one reason no doubt is that, in view of several tolerably popular substitutes, which to some extent answer practical requirements, and of the remarkable aptitude manifested by a commercially trained people to take advantage of such, its want has not been so acutely felt as elsewhere. The aptitude referred to is one of the substantial returns which Switzerland, the most liberal country in the matter of free education, receives for

Swiss Aptitude
for Saving a
Result of free
Education.

the large outlay which it annually incurs in respect of the schooling of its children, no matter whether they be rich or poor. Our own purely elementary training cannot compare with this, nor could it, of course, produce similar results. In some Cantons of Switzerland youths are educated up to fitness for a commercial or scientific career, or up to admission to one of the universities, absolutely free of cost, with books and instruments and all other materials thrown in. And here is one of the results secured by such a system! From infancy up, there is no lesson so perseveringly pressed upon young minds in Switzerland as that of thrift. The young people learn it at school. They have it driven into them while they sit on a high stool in a counting house; they are urged to become members of some thrift society or other, some association which will encourage them to save, and secure to them the benefits of saving. Through life it accompanies them wherever they go. Thus it comes about that those 'compulsory savings banks'—which in some features rather resemble the 'People's Banks' of the United States—have thriven so remarkably well on this republican soil, more particularly among the wage-earning classes. They apply the lesson of thrift with rigorous severity—greater than is to be met with elsewhere on this side of the Atlantic. The man who once pledges himself to lay by, must lay by for the three years for which his promise runs, on pain of a fine, or, in case of repetition, of forfeiture. The monthly payments must be not less than 1 franc, nor more than 50 francs. They continue accumulating and earning compound interest, till the three years are over, after which they very often go to buy a *part sociale* in the Co-operative Bank which has all the time acted as cashier. For money so saved is very rarely squandered. During the process of accum-

Compulsory
Savings Banks.

ulation contributors in temporary need of money may borrow to the extent of three-fourths of what they have paid in, being charged, however, 6 per cent interest on the loan, in the place of the $4\frac{1}{2}$ per cent which they are credited with.

But that helps people only to *save*. For *borrowing* there are other institutions ready to assist them. Thus the mortgage system is developed to a point which to some extent covers the ground of personal credit. The legal expenses are a mere nothing. Accordingly no one thinks anything of raising money for a temporary want by means of a mortgage. According to statistical returns Switzerland is one of the most heavily mortgage-burdened countries in the world. But half its mortgages answer to what elsewhere is merely personal indebtedness. Mortgages for 1,000 francs (£40) are nothing uncommon, and there are mortgages even for 150 francs (£6). Moreover the use of bills-of-exchange is well developed and generally understood. The peasantry do not indeed often borrow by such means, because their class pride rebels against the formality of having themselves registered as *commerçants*, which is an indispensable pre-requisite, simple enough, but understood to imply embarrassment. Bankers are, however, generally ready to meet them by lending to substantial people simply on note of hand. That, it is true, brings no benefit to the humbler classes. But for working-men there are at any rate one or two very useful People's Banks similar to that sketched by M. Ruchonnet in one of his reports to our Co-operative Congresses, taking members' contributions by fivepenny dribblets, or a franc at a time, till the figure of 100 francs is reached, which constitutes a share; and lending out small sums on reasonable terms for ten months at a time, repaying themselves by regular instalments. These banks, if few in number,

The Swiss
Mortgage Sys-
tem.

People's Banks

are useful—though no doubt every now and then their well-intended zeal to support co-operation in the shape of productive co-operative societies recruited from among their own members—tin-workers, painters, plasterers, tailors, etc.—leads them into mischief. For some of these societies occasionally make default. By their own members, acting individually, the banks rarely suffer any loss. Of this class of banks the *Caisse Ouvrière d'Épargne et de Crédit Mutuel* of Geneva is a good example. From 11,275 francs with which it began work, in 1877, its capital has grown to 150,590 francs. It has taken warning by what M. Elisée Reclus wrote a good many years ago, specifically with Swiss banks in his mind, about 'the danger of big dividends,' and has once for all limited its dividend to five per cent.

Co-operative
Business
Banks.

But the type of banks with which Swiss co-operative credit is more specifically identified is to be found in those well-managed 'business' banks, of which the *Schweizerische Volksbank* may serve as an admirable example. These establishments do not look much higher in their aims than to do the best that they can for their members. To that task, however, they address themselves with most praiseworthy assiduity and, as a rule, with much skill and success. 'Our first object,' in substance says the *Volksbank* in its *Denkschrift* issued on the occasion of its thirty years' jubilee, 'is, by means of the joint action of many, to provide a credit and the requisite cash for small folk; our next, to earn a fair profit for our members; and our last, to promote thrift, as a means of converting into a small capitalist the man who is not such already.' There is very little altruism about this programme, and no ring of any 'high moral' propaganda. But the object pursued—simple, purely economic, but very genuine co-operation—is thoroughly legitimate, and answers a

most useful purpose in the economy of a commonwealth. Generally speaking, these banks are not very poor people's banks. There are some among them which recruit their members from pretty necessitous classes—as for instance, the *Ersparniskasse* of Konolfingen, which has taken small men's savings for sixty-four years back and hoarded them for their benefit. The peculiarity of this Bank is, that it pays no dividend whatever, but carries every surplus systematically to reserve. That has enabled it in course of time to redeem every farthing of its share-capital; and now it realises the ideal of a bank which confers benefits, but has cost no one a penny. All its capital is its own. Other banks, likewise, however large, make no distinction between rich and poor. A working-man paying his entrance fee of five francs, and a regular monthly instalment of one franc towards the purchase of his share, is as welcome as the millionaire who takes a large number of shares and pays cash down for them all. For the working-man, indeed, it must be rather a hopeless business clearing his one thousand franc share—that is the figure in the *Schweizerische Volksbank*—at the rate of one franc a month. But, then, his member's privileges begin—barring only the right to draw dividends—the moment that he has paid his entrance fee and his first franc. So there can be no hardship. The object which these banks aim at is, for the sake alike of custom and of security, to enlist as large an army of members as they possibly can, and to induce these men to do all their business at their counter. That is the dominating idea in all their practice, and they study its realisation in every detail. 'Keep down your demands made upon members in respect of instalments,' says M. Yersin, the Director-General of the most successful of these institu-

Their Utility.

tions, the *Schweizerische Volksbank*, 'make those instalments as small as possible; for the lower are your demands, the more "popular" will be your institution, the more members will you attract. If possible, charge no entrance fees, because even that is likely to be felt as a "tax." Offer your members special advantages in the shape of a rather lower discount charged on bills, a rather higher interest allowed on deposits. Interest them in your work by every possible means; to this end make your administration thoroughly representative and democratic, allowing to each member a vote, and one vote only, whatever be his holding, and giving to each branch bank full self-government. Make people understand that you give precisely the same attention to small business as to large. "Third-class traffic" is, in the aggregate, the safest, the most remunerative, and the most constant. It supplies what Signor Levi in his *Manuale* recommends as one of the main desiderata of banks, a "*clientela duratura*." Spread out your machinery, cover what ground you can, multiply banking facilities; the more "popular" you make your institution, the better will you succeed.' That is M. Yersin's advice, and in his own bank (except that an entrance-fee is taken) it is carried out fully in practice with unquestionable skill and indisputable success. The Bank, which in 1869 began with 53 members and a capital of 2,627 francs (£105), has now a members' roll of 8,016, and a capital of 7,179,000 francs (£287,160), with a reserve of 337,000 francs (£13,480) at its back, and does business (counting both sides of the balance sheet) at the rate of 1,601,928,000 francs a year (£64,077,120), lending out, in 1891, 104,560,153 francs (£4,182,406). Since those returns were published, the *Schweizerische Volksbank* has further extended its sphere of operations, and added alike to its constituency and to its capital, by amalgamating with

The 'Schweizerische Volksbank.'

the *Volksbank* of Winterthur, which gives it its eleventh local office. It had ten before—nine, besides the headquarters at Berne—including a branch-bank at Berne, one at Zürich, one at St Gall, one at Bâle, one at Fribourg, one at Wetzikon, one at Saignelégier, one at Tramelan, and one at Pruntrut. Even that is not enough to satisfy its ambition, for, as a ‘Swiss People’s Bank’ it hopes to overspread all Switzerland.

Surely there is something in all this work of which ^{Its Lesson for} our co-operators might do well to take note. If their ^{us.} minds are still set, as they were twenty and twenty-three years ago, upon creating a banking institution which shall enable them to do their own banking, to save, and beyond that to earn, banker’s profits, here is a pattern to work upon ready to their hand, which should recommend itself to notice, as having been found in practice equally safe and profitable. It does not educate the humble classes to the same extent that the more philanthropic types of banks do; it does not take the poor cottier by the hand and teach him good morals along with good business, raising him, almost in spite of himself, from poverty to independence. But it makes the small means of those who possess a little go very much farther than they otherwise would, and planes the way very effectively for their course through life. We must not, in such banks as these, look for that preponderance of small farming and working classes which we find in the Raiffeisen and Wollemborg institutions. According to the last annual return published by the *Schweizerische Volksbank*, there were among 8,016 members (5,365 men, 2,631 women and 20 societies) only 40 paid employés engaged in agriculture and gardening, 332 letter-carriers, telegraph clerks and the like, 569 salesmen and shopwomen, 199 mill-hands and journeymen, and 1,274 small trades-

men working on their own account—no real labourers and very few, if any, of the smallest peasantry. On the other hand, there were 406 landowners, 431 manufacturers, architects and the like, 945 merchants, 358 jobbing masters, innkeepers, etc., 1,272 medical men, artists, chemists, literary men, etc., and 2,170 persons (including 1,984 women) without a calling. The Bank is accordingly not a genuine 'People's' Bank in our sense; but it has a *clientèle* to whom its services and its profits are a matter of some moment, and, ministering to their wants, it unquestionably discharges highly useful functions as a national wealth-producer.

Success of
Swiss Co-operative Banks
generally.

In the entire absence of official statistics it is rather difficult to speak of this class of banks in the aggregate. M. Yersin has with some pains collected statistics of his own, which he has been good enough to place at my disposal. They give particulars of 20 different co-operative banks, including three *Unions* and one or two working-men's banks. Throughout, there is evidence of useful service and of steady growth. Thus, the *Gewerbebank* of Zürich, which began in 1867 with 500 francs (£20), has raised its capital to 415,000 francs; the *Spar-und Leihkasse* of Wiedikon has increased its own funds from 98,300 to 188,510 francs; the *Spar-und Vorschussverein* of Beringen from 1,847 to 57,921 francs; the *Spar-und Leihkasse* of Morat from 8,000 to 22,500 francs; the *Spar-und Leihkasse* of Boswil from 2,500 to 33,000 francs; the *Caisse Ouvrière d'Épargne* of Geneva from 11,275 to 150,590 francs. All this indicates a growth of the constituency worked for as well as an extension of business. The full amount of business done by all the twenty banks in 1891 is returned as 2,224,675,778 francs (£88,987,032), which certainly points to a large volume of transactions. There is considerable variety in the organisation and

rules of these twenty banks. In the main they have adopted limited liability as their principle; but in most cases it is liability under a fancy limitation, just as in Belgium, extending to twice, or three times, or whatever the multiple be, of the amount of the share. Some banks allow members to take up only one share, others four, ten, fifty, up to two hundred, or else up to one-fifth of the entire share capital. Some issue shares of the value of ten francs, others of two thousand francs. For the most part the figure is either 100 francs or 500 francs. In nearly all these establishments the share is payable by instalments, which range from 1 franc a month to 5 francs. Only one or two of the smallest banks proportion the voting power to the number of shares taken; as a rule the principle adopted is 'one man one vote.' And there are very few which bind themselves absolutely to grant credit according to the amount of money paid up. That principle, which is more or less in vogue elsewhere, has proved a little dangerous in practice. As a rule, indeed, members are allowed to borrow on the strength of their holding alone, without further security than the pledging of their shares and an acceptance with their own signature, to the extent of twice their paid-up stake. But the granting or withholding of such credit rests *absolutely* with the Board at its own discretion; the Bank recognises no *right* whatever. Their Rules.

The lending upon shares opens up rather a troublous question in banking. The share is rather the member's bond than his asset. It constitutes him a part-proprietor of the bank. But the bank's security to its creditors is the share, not in its own hands, but in the member's. Therefore, by accepting the share as a pledge, instead of strengthening its own position, in one aspect it rather weakens it. For in parting with the shares, it parts with potential security. Were the share pledging
Shares.

Danger of
Withdrawals.

to be forfeited, the Bank would obviously be so much the poorer, and offer its creditors so much the less security. And if the forfeiture were often repeated, it might be left with all shares and no funds, and accordingly no credit. So serious has the danger of the withdrawal of members been felt to be, that in the *Schweizerische Volksbank* a rule has been passed enacting that upon one-fourth of the members giving notice of withdrawal, a General Meeting shall forthwith be called, to vote upon the question, whether the Bank is to be liquidated while the intending seceders are still members, or is to go on without them. In practice the question is not likely to arise. And even the resignation of one-fourth of its members would still leave the Bank endowed with ample capital for all its purposes. But the point is one of considerable importance. For it is not every co-operative bank which can boast of the financial strength of the *Volksbank*. In practice, also, there has been found to be no danger in lending on members' shares. Indeed, it has become one of the favourite methods of dispensing credit. After all, it is the members' interest, *not* to forfeit their shares. That would not exempt them from responsibility, for their liability extends to twice the amount of their stake. Only, M. Yersin rigidly exacts a bill of exchange in addition to the pledged share, as giving the bank in case of need a better remedy against the defaulter.

Variety of
Business.

Being constituted strictly on 'business' principles, as a matter of course, Swiss banks study to transact every variety of profitable business, even should it lie a little beyond the limits of strict conventional banking. Thus the *Schweizerische Volksbank* undertakes to act as stockbroker for its members. And it also deals in silver bullion in connection with the watch-trade practised very largely at Saignelégier. But its main business, as

that of the other banks of its type, is, to take deposits, savings, and to raise money in other ways; and on the other hand to discount bills, grant loans, and give credit on current accounts. In one place it finds that it does more business of one sort, in another of another. For raising money for long periods it has adopted in its own way, very successfully, the same principle which led Signor Luzzatti to issue his *buoni fruttiferi*. By means of *Kassenscheine*, running either for a period of two years at the rate of $3\frac{1}{2}$ and $3\frac{3}{4}$ per cent., or else for five years at the rate of four per cent., it manages to possess itself of ready cash to such an amount, that at New Year 1892 there were close upon 12,000,000 francs of these bonds in circulation. One peculiarity of the bonds is, that they are redeemable only subject to notice to be given three months before the expiry of the period for which they are issued, failing which they run on as a matter of course for another two years, or five, as the case may be. Notwithstanding the preference given to members, the value of savings deposits received from non-members amounts to nearly three times the sum received from members, viz. 8,920,130 francs, as compared with 2,741,996 francs—which is as conclusive a proof of the confidence accorded to the Bank in the general market as could well be supplied. Most of the lending, apart from the pledging of shares, is done by discounting bills of exchange which are, as already observed, very well understood in Switzerland, and therefore involve no undue danger to borrowers, though they do occasionally bring a small loss upon the Bank. Current accounts are also a very favourite mode of borrowing money from the Bank, and are found to the Bank's advantage, as attracting business to its counter. Of course due caution has to be practised in the credit given, which is generally done against security, or according to a

custelletto prepared by the Board of Directors. The lending is done by preference for short periods, and on bills never for more than three months at a time. The Bank does not favour renewals. However, in view of an active competition—which appears in Switzerland to have become a little troublesome—it has been found impossible to refuse, or even very narrowly to limit them, and in practice now often as many as four renewals are granted, practically extending the period to a year, which is the ordinary maximum time for which loans are issued against security. Thus these banks could not satisfy the needs of agriculture, for which the Raiffeisen and Wollemborg Banks, and the Italian *cartelle agrarie*, are particularly intended. Theirs is in the main commercial banking. Members are admitted by election of the Representative Council of Administration, from whose decision an appeal lies to the General Meeting of Delegates, should ever occasion arise, which is not likely to happen. For it is to the interest of the Bank to have as many members as it can get, whose mere admission, as we have seen, involves no risk. Generally speaking in Switzerland voluntary retirement is made easy. In the *Schweizerische Volksbank* members are free to retire at six months' notice. Some other banks permit it at any time without notice. Some, again, require three months' notice. In the *Schweizerische Volksbank* the administration is thoroughly representative. Obviously, it would be impossible to call all the 8,016 members scattered all over Switzerland together. But each Branch has its own constituency, which may very well be convened from time to time. For every hundred members it is entitled to return a delegate to the central representative body; and by this means a tolerably popular representative assembly is constituted, quite large enough for practical purposes.

The delegates elect a Council, and the Council in their turn nominate a Board of Directors, which together with the permanent Director General (M. Yersin) attends to the executive business. Beyond this, there is a special staff of auditors and 'revisors' appointed, to check accounts. As may be inferred from the figures given, the business of the *Schweizerische Volksbank* is a large one, and, accordingly, the permanent staff of officers and clerks stands at present at 123. The last report complains of 'bad times.' Nevertheless the bank was able last year to declare a dividend of five per cent., bringing down the average figure for twenty-three years to 6.46 per cent., which is still not bad for a co-operative bank. The satisfactory feature about this dividend is, that its substantial amount is the result, not of high charges, but of a large business. The average interest charged to borrowers stands at less than 5 per cent.—4.984; the average interest allowed is 3.600 per cent. Thus out of the margin of 1.384 per cent., on a vast number of transactions, have expenses, losses, payments to reserve, etc., been met, leaving sufficient over to pay a tolerably good dividend.

As a business bank the *Schweizerische Volksbank* must be reckoned an entire success. However, from its large transactions one is not sorry to look down upon the humble, but far more philanthropic and educating work, which has during the last few years been carried on—for the present in the Canton of Berne only—by two little pioneer banks of the Raiffeisen type, either founded, or else fostered, by the local *curés*—the one at Schlosshalde, the other at Zimmerwald. Only in very small particulars have these banks departed from the rules laid down in Germany. They have adopted rather a higher figure as the value of their shares—30 francs; and they combine supply

Raiffeisen
Banks in Swit-
zerland.

Their Success.

work directly with credit. It is much too soon to report on any substantial success of these banks. But, like their sister institutions elsewhere, they are plodding on, not impatient to increase the number of their members or to multiply their business, but careful above all things to admit no member who cannot be trusted, and to keep conscientiously on the safe side. Slowly they keep growing, but every day sees new friends gained by work which, if unpretending, is beneficent, and by that marvellous educational efficacy which never seems to fail institutions of this type—working on gradually but surely, and bringing out the best virtues of small labouring people. ‘These associations,’ writes the *curé* of Zimmerwald, Abbé Kistler, reviewing the work which they have already accomplished under his own eyes, ‘create a bond of brotherhood; and the moral support which they afford to their members ought not to be passed over in silence by the side of the financial support. It is a splendid thing, surely, and a matter of great importance for the agricultural classes, to have a solidarity produced between neighbours, and to see the strong support the weak, as one friend would support another, with his money, and his credit, by counsel and by deed.’ A splendid thing it is, and while the large banks, serving for the convenience of the moderately moneyed, and earning them dividends, go on flourishing, like the *Schweizerische Volksbank*—doing useful though more or less egotistical work—one may indulge a hope, that the modest beginning made in Switzerland on more philanthropic lines may prosper as well—there as elsewhere—and teach the thrifty peasant of the Alps and Jura, who is sometimes regarded as in material matters a step-child of Nature, what marvellous resources even on his bleak mountain-side he has at his command in the treasures of combination and self-help.

CHAPTER XI

CO-OPERATIVE CREDIT IN FRANCE

THERE is not a country in which more has been written about co-operative, or 'popular,' credit, nor one in which more money and ingenuity have been expended upon experiments to create it than France; and yet in respect of practical application of the principle its present record is little more than a blank. The theory has been discussed with such an amount of astuteness and familiarity with detail, all experiments undertaken elsewhere have been reviewed and criticised with so much discrimination and expert mastery of the principles involved, that one can hardly address one's self to a study of the question without consulting French literature on the subject. In respect, more particularly, of 'agricultural credit,' France has been called 'the brain of Europe.' But unhappily it has remained a brain without hands, an instrument of inquiry, not of creative action. What makes this barrenness of speculation all the more surprising is, that in no country is there more of a natural predisposition to co-operation; in none are the benefits of 'popular' credit more keenly realised and appreciated; in no country has for a long time back 'popular credit' been so much of a generally accepted desideratum. Republican assemblies, Imperial Councils, economists and philan-

Contrast between Theory and Practice.

thropists of all schools have given of the best of their thought and of their labours—as well as very much money, too—towards the realisation of the universal pet scheme. And at times it has looked as if the modern philosopher's stone had actually been discovered. In the sixties, when the late Emperor, anxious to cultivate popularity, smiled upon co-operation, and every prefect and every provincial bank took their cue from the man in power, co-operative credit banks were in their heyday—large institutions were set on foot with flourishes of trumpets and a super-abundance of capital; very useful, little, self-managed, thoroughly co-operative credit-societies numbered by the hundred; and all seemed prosperous and promising. The *furia francese*, as Father de Besse calls it—that restless seeking for something better, the impatient racing for the goal which must be reached at once—has wrecked it all. In this rather complimentary explanation of failure Father de Besse appears to overlook the fact, that outside the great centres of thought and life, in which a Reubenite instability of purpose often militates against co-operative success, there is in France a great deal of easy-going contented *vis inertiae* which prejudicially clogs the wheels of forward motion. And, also, that—as M. Limousin points out—in most of the attempts hitherto initiated to establish popular credit in France, there has been some flaw or other in the system, either too much caution, or else too little—generally the latter. The car could either not be got to move at all, or else, once started, it rolled on so impetuously that it could not be stopped till it had been landed in ruin. 'In France,' says M. Limousin, 'the predominant cause of the check given to this class of societies (People's Banks) is the insufficiency of guarantees exacted from the borrowers.'

All this really helps to add to the interest of a study of French attempts to create popular credit-institutions, rather than to detract from it. German critics are unkind enough to say that the millions spent upon co-operative experiments in France have been simply thrown away. It is not so by any means. The money expended has not been very profitably laid out. But there are useful negative results as well as positive. If in France there has been only very partial success, on the other hand the whole movement has been marked by a degree of originality and ingenuity which imparts to it a peculiar charm as a subject for inquiry.

Really, it is not quite correct to say that in France there is now absolutely nothing in the shape of popular credit. There are some 'People's Banks'—*banques populaires*—which annually hold a 'Congress,' at which very able addresses are always delivered. But these banks, says M. Durand, are scarcely more than joint-stock companies—*sociétés anonymes*; and, moreover, they all of them suffer more or less from '*anémie*.' The *τραπέζιται* have set up their tables, but there is no public to come to them to deal. Somehow the chink of their napoleons has not been tuned to the right key. However, besides these establishments, there is that interesting little People's Bank of Algiers, thoroughly co-operative, but entirely local, doing good work among its own members—less than three hundred in number. There are also about sixty other little popular banks in French Africa—all of them very humble institutions, small and unpretending, but thoroughly useful and genuinely co-operative—descendants, it may be, of the ancient Moorish *silos*—lending out between them about 3,000,000 francs annually to their members. And there are modest little beginnings elsewhere, the most recent of which, and perhaps the most

Peculiar Interest attaching to French Experiments.

Present Condition of Popular Credit.

promising, is the establishment of an experimental Raiffeisen bank at Langé near Lyons, under the guidance of the local *curé*, P. Ragu. The Schulze-Delitzsch banks somehow have never secured much of a footing in France. French economists have expressed admiration for the pioneer co-operator; they have studied his works; but his methods have never seriously commended themselves to French economists. The Raiffeisen system, once it has become known, has secured far more loyal and convinced advocates.

Reasons for
Present Back-
wardness.

The reason why co-operative credit, so much sought after, has not thus far found a place in French national economy, has provoked conjectures from not a few French economists. M. Convert is ready with an optimistic answer: 'We have no usury to speak of, and we want no People's Banks.' M. Brelay puts the blame upon the law—'It is possible that the fault lies more with our laws than with our habits.' M. Durand suspects that the artificial stimulus given to the Savings Banks stands in the way. Under a law passed by the first Napoleon, the Government takes all the money which the Savings Banks hand over to it, and pays interest upon it at the rate of 4 per cent. That enables the Savings Banks to allow their depositors somewhere about $3\frac{3}{4}$ per cent., which is a high rate of interest, considering the security. Of course it is the taxpayer who has to pay for all this liberality. But the taxpayer is a long-suffering mortal, and the Savings Bank depositor is potentially a clamorous malcontent. 'I suppose that there is not a member in this chamber,' frankly declared M. Hubbard in the tribune in 1890, 'who would with a light heart vote for the reduction of interest allowed to depositors in the Savings Banks by as much as 25 centimes.' And there was a chorus of assent. And so the Savings Banks remain, in M. Courtois' words, 'a ball (*boulet*)

The Savings
Banks.

which the State drags at its foot. Happy would it be to be relieved of it without a catastrophe.' Up to 1881, at any rate, deposits were limited to a maximum of a 1,000 francs each person. The rule was systematically evaded—just as is a similar rule in our Loan Societies—by paying in additional deposits to the credit of wives or children, or even in absolutely fictitious names. But still there was some sort of check. Since 1881 the limit has been extended to 2,000 francs. And the consequence is, that within a few years the deposits grew very rapidly from one milliard to three. Probably the Government wanted money at the time—and got it; but the burden upon the country has grown all the heavier.

All this may indeed tell against co-operative credit. But Savings Banks which *receive deposits* could scarcely take the place of Credit Banks which *lend*. And M. Lockroy's suggestion for turning them into lending institutions is not likely to be adopted, at any rate under present circumstances. There must be some other cause. The French as a nation are anxious to have popular or co-operative credit. Unfortunately the particular kind of effort required for the realisation of this wish is one which does not come easy to their ambitious temperament. The thing is not to be done by a rush or a brilliant idea. It requires patient plodding, the slow adding of a little to a little, the dogged sticking to the task, the saving of farthings and working for nothing, in an atmosphere absolutely uncharged with excitement—efforts for which the French can as a rule only brace themselves when they fully understand the necessity of the toil and the value of the prize. But a nation which has so much of a natural turn for co-operation, which has produced its '*groupes à deux sous*,' its useful '*Société Mère*,' with hundreds of flourishing offshoots,

The Hindering
furia francese.

its '*Travailleurs Unis*,' its '*Caisses de Pain*' and that unique co-operative Cab-drivers' Association, the '*Confiance*'—commanding a share capital of 400,000 francs, possessing 220 horses and 120 vehicles, and earning a surplus for distribution which in 1886 amounted to 58,000 francs, after everything was paid—ought to be able to construct a system of co-operative credit which should be both original and effective.

Early Experiments and their Failure.

Looking back upon the history of tentative co-operation in France, one cannot help being struck with the variety of the attempts made and the firmness of the hold with which the co-operative idea has evidently fastened itself upon the national mind. Even when, after the *coup d'état*, co-operation was undoubtedly under a cloud—'the working population do not *talk* of 'associations,' said M. Lemer cier, 'but they *think* of them all the more.' They seized the idea eagerly, but they seized it in their own way. Their aim was not, to supply the *petit patron* with cash for individualist labour, not to provide the hawking baker with his *charette*, the roadmaker with money for his job. It was, to emancipate the working-classes from thralldom, no matter whether that be done by self-help or otherwise. Hence the demands made at first upon the State—which resulted in '*cette grande folie*,' costing the nation 3,000,000 francs, in the *Caisse d'Escompte*, the *Fond des Prêts de l'Enfance*, and other ruinous or else abortive measures—serving admirably to push home the lessons taught less forcibly elsewhere, both before and after, that outside aid will not enduringly benefit the working poor. Hence also the *Crédit au Travail*, the *Caisse Centrale*, the *Legs Rampal* and similar wasteful funds, the benefit of which was to reach the individual in a roundabout way, filtering through co-operative workshops into the working-man's pocket. It was Buchez who first put this

idea into shape—for Proudhon's 'People's Bank,' which was to disarm Capital, and existed but for two months, cannot seriously count. '*Il faut créer le crédit du travail, comme on a créé le crédit foncier, le crédit mobilier, etc.*,' was Buchez' motto—anticipating Sir R. Morier's later declaration: 'The skilled artizans of a community are as good a subject for a mortgage as a steam mill or broad acres.' Perhaps, if the 'Crédit' had been better managed, it would have lived and thriven, instead of coming to grief by such reckless practices as that of lending out 300,000 francs when there was only 278,000 francs to lend. There were many claimants for its help, and many believers in its principle. Within three years from its foundation it numbered close upon 1,200 members and did an annual business of 10,500,000 francs. The presence of a demand for such assistance as it gave cannot therefore be disputed. But somehow all these enterprises which work on roundabout lines and do not make the beneficiaries their own trustees, bringing home to them irresistibly the sense of their own responsibility, seem doomed to suffer from inefficient management. In the present day the *Legs Rampal* is going downhill in just the same way. The late Benjamin Rampal left a fund of 2,000,000 francs to be employed in giving assistance by loan at the rate of 3 per cent. to productive co-operative societies. Judiciously, as he thought—most unfortunately, as it turned out—he left the administration of the fund to a Committee to be appointed by the Municipal Council of Paris. The consequence is, that under the balking influence of technical rules which weaken responsibility, applicants obtain help who are not entitled to it, and who waste it, whereas other claimants, who have indeed a good case but cannot put it into the shape required by red-tape regulations, are sent empty

away. In 1887, of 437,000 francs lent out, 100,000 francs were reported irrecoverable. In 1889, out of forty-nine associations lent to, eighteen were found to be bankrupt, eighteen more in course of liquidation, and three suspiciously in arrear. Red-tape has done its work as only red-tape can. Gambetta's *Caisse Centrale*, formed in 1880, fared scarcely better. It was to have 50,000,000 francs capital, of which however only 12,000,000 was actually subscribed. It opened its offices with a grand flourish of trumpets, setting up 'Collecting Bureaus' in various suburbs, and offering its money freely to co-operative associations. The co-operative associations—at least the solvent ones—however, would not accept the invitation, and in 1887 the *Caisse* escaped a collapse only by throwing over its original object, and converting itself into an ordinary business bank. The splendid enterprises fathered by Napoleon III failed as fully to answer their purpose.

Successful
Pioneer Es-
tablishments.

How very much more satisfactory was the experience of those humble but *bondâ fide* co-operative associations, those banks of working-men for working-men, which were, indeed, swept away by the war of 1870, but which, while allowed to live, served their purpose adequately and to their members' benefit. There was the *Société Mère* of Paris, with its family of children, some seventy or eighty in and around Paris, plenty more in the Provinces—in Lille, and Saint Etienne, and Valence, and Lyons and other places—the *Sociétés du Crédit Mutuel*. They were all small, modest, in their way obscure. They had from twenty-five to fifty members each, meeting once a week or once a month in a private workshop, administering their own funds, doing their own work gratuitously. The same man would sometimes be president, cashier and secretary all in one. About 1866 France possessed no less than about three hundred such

modest societies, all doing well, all supplying in a humble way a real want, readily and easily, at small cost to anyone. They levied their weekly or monthly subscriptions, of from 50 centimes to 5 francs, and dealt with the money so provided—not exactly cheaply for borrowers, for they charged interest at the rate of from 6 to 10 per cent., but beneficially. None of them disposed of large funds. The richest held a capital of 31,712 francs, with 750 francs of reserve, in all £1,300. The majority had very much less. Yet they did a large amount of lending, and lost almost literally nothing. The *Société Mère* had in 1866 lent out 252,223 francs and lost only 5 francs. One of the most pretentious societies of this sort, established in the Faubourg Saint Antoine, had in six years' business, upon loans which amounted to about 6,000,000 francs, only two small losses to record. It was the very humility of the thing, the lively sense of responsibility, the rigour of 'self-help,' which made these small societies flourish and answer their purpose, while the millionaire enterprises of an emperor, of republics, and of capitalist associations failed. 'The smallness of the losses,' reports Mr Egerton in our Blue Book, 'proceeded from the members being well acquainted with each other; for the societies were small though numerous. . . . Their main strength was in the mutual confidence from mutual knowledge of each other of their members.' That is Raiffeisenism all over. One cannot help regretting that societies so useful and so genuinely co-operative should have fallen victims to the war of 1870—the same epoch of testing which established most conclusively the strength and value of kindred societies in the uninvaded country. Possibly a little more of numerical support, and the backbone supplied by union, such as the Germans possessed, might have saved

The 'Société
Mère.'

Mr Egerton's
Testimony.

them. Union, however, was never offered to them except in the more than questionable form of affiliation to the *Crédit au Travail*, which they wisely declined.

Co-operative
Credit since
1887.

The collapse of these numerous societies closed one chapter in the history of French Co-operative Credit. Not till 1887 was a fresh spark applied to the extinguished taper, producing a small flame—just about sufficient to light the way to better things. It was a Capuchin friar, Father Ludovic de Besse, who rekindled the flame—inopportunately enough, one would have thought, at the very moment when the Roman Catholic *Union Générale* had announced its failure, and its Director, M. Bontoux, was undergoing his trial—only a few doors from where Father Ludovic was busy constituting his first committee. Some remarks dropped more than once by Pope Leo XIII, and eventually embodied in his famous Encyclical on the condition of the working classes, had fired his philanthropic zeal:—‘*Il faut adapter les corporations aux conditions nouvelles.*’ It struck the Father as a noble idea, not only to help the poor classes—by providing money for the small employers of labour, who had no bank open to them—but above all things at the same time to ‘*moraliser les affaires.*’ That is a bit of Rochdale Pioneerism. But it assumed a very different shape in the head of a Capuchin monk. For once the national religions shewed themselves outwardly reversed—our reformed English sought for ‘works,’ the Romanist cleric for ‘faith.’ However M. de Besse is no bigot; and there is no denominational propagandism about his scheme, though a little hyper-fervid enthusiasm, and a properly clerical want of familiarity with the business of the world, unquestionably betray the monk. Besides this, there is also some very manifest inconsequence and inconsistency in the ideas embodied in his scheme.

Father de
Besse attempts
to ‘*moraliser*
les affaires.’

Father de Besse aims at self-help; yet he declares that he cannot do what he wants without tolerably ample charitable support from the rich. Like Herr Raiffeisen, he desires to make the employment of the loan the guarantee for its repayment; and yet he adopts Herr Schulze-Delitzsch's principle of not limiting his districts, which runs absolutely counter to this purpose. The dilemma in which he has landed himself forces him to look for safeguards in rather invidious practices. Instead of the unconscious surveillance which comes as a matter of course among neighbours in one village, he finds himself compelled to urge upon his members, as a matter of high duty, what must to many of them appear an odious system of espionage. They are to look after one another, to inquire about one another's doings, and report upon these things to the society. He wishes to draw members together, and yet he creates two distinct classes—*fondateurs* and *sociétaires*. His scheme is philanthropically conceived—he aspires to accomplish, not *une affaire*, but *une œuvre*—not a matter of business, but a good work. But the execution is crude and halting. Accordingly, one cannot be surprised to find the economic results, as M. Hubert Valleroux testifies, 'poor' (*faible*)—though they are said to be morally not unsatisfactory. Indeed, credit is designed only as one means by which 'business is to be made moral' and 'an *élite* of Christian workers' are to be brought together, 'who should form the solid, immovable foundation of our fabric.'

Briefly analysed, the Father's scheme is this:—members all pay an entrance fee of 5 francs each; in addition, *fondateurs* take up a share or shares of 50 francs each, which are to bear no interest. Beyond this, pecuniary support seems to be looked for from '*patrons chrétiens*.' The banks formed have no recognised districts. Their work is to be facilitated by the formation of *groupes de*

The 'Catholic Banks.'

quartier, likewise with only very vaguely defined bounds. Members' liability is unlimited. The banks receive deposits, on which they allow interest, and they advance money for objects to be first stated and approved. Misapplication involves forfeiture. Repayment is to take place by instalments.

The 'Catholic Banks' have accomplished a certain amount of good. With what military men would call a skeleton army they have occupied a capacious bit of ground, but their transactions are not imposingly large. The first bank was formed in Angers, the friar's own city, under the auspices of the 'Society of S. Joseph.' It began with only thirty members—ten *fondateurs* and twenty *sociétaires*. In 1889 it commanded a capital of 68,750 francs, which had, however, attracted deposits only to the amount of 16,316 francs. That is about the twelfth part of what is usual in ordinary banking. Its *portefeuille* at the close of 1890 held bills worth 35,955 francs; the current accounts amounted to 15,261 francs; and the transactions balanced at 91,870 francs. That does not indicate a very active business. The *Crédit Mutuel* of Paris, the principal establishment of this group, according to Father de Besse's own account, in 1888, had a turnover of 2,000,000 francs, on which there was 1,244 francs of loss. The 'Catholic Bank' of Saint Chamond—a bank of this connection, but managed independently—according to M. Courtois, discounts bills annually at the rate of 1,800,000 francs. There are other 'Catholic Banks'—at Arras, Cette, Limoges, Toulouse and Rennes. At best all these institutions can be looked upon only as pioneers. Their object is a good one, and Father de Besse—whose preaching is, from a co-operative point of view, very much sounder than is his practice—is doing exceedingly useful work in disseminating co-operative information,

familiarising people with co-operative ideas, habituating them to co-operative principles, and rousing spirits to co-operative action. There can be no doubt that for this purpose he has become a power, and a power of great promise, in France. And in the championship of so good a cause one would wish him not to spare his effective tongue. Whatever be the result awaiting his well-meant efforts, the Father has at any rate shown how wholly mistaken are those of our English co-operators who set down the backward state of co-operation in Ireland to an unwillingness of the Roman Catholic clergy to lend it their countenance. In Germany, in Italy, in France, co-operative credit has found no warmer friends and patrons than the Roman Catholic parish priests. In France, as a matter of fact, the scheme set on foot by a Capuchin friar now stands for nearly all the co-operative credit banking that there is. In Ireland, likewise, among the Roman Catholic priesthood there are good friends of co-operation, who would willingly grant their help for the support of a scheme which might seem promising. I need but mention the Bishop of Limerick.

In its application specifically to agriculture—long a Agricultural Credit. pet object with French legislators—popular credit has in France proved not much more of a success than as a general institution. A brighter day is indeed now held to be dawning; and under the guidance of either M. Antonin Proust, or M. Méline, who have both formulated proposals, the army of reformers hope ere long to find themselves marching to victory. Thus far, however, their advance has led to little more than the casting away, batch by batch, of a mass of showy *impedimenta* hastily taken up, which experience has proved to be useless, and which now strew with the testimony of failure the road on which they have moved. All this seems indeed to lend a colour of truth to M. Micha's

rather unkind judgment:—‘The history of agricultural credit in France may be summed up in two words: a wish for it placed on record by the Congress of French agriculturists in 1845; and a law passed in 1888’—which law, it may be added, has not altogether answered the hopeful anticipations with which it was launched.

Needs of *la petite culture*.

The burning need of agricultural credit which is felt in all countries in which *la petite culture* has become an established institution may present itself as a serviceable argument to the lovers of our dear old ways of rural solitudes paying a very scanty tribute to one sole lord who, when times grow bad, seems to have no resource open to him except to consider whether he cannot save his purse at any rate to some small extent by allowing his land to lie wholly idle—to the loss of the nation—leaving it to fertilise itself by the wasteful decay of its own produce.* In truth the fact proves nothing at all in a sense adverse to small husbandry. The proper inference is really all the other way. Small husbandry, experience has shown, can feed, clothe and employ far more people than large†; it can add immensely to a country’s productiveness and a nation’s content and happiness; but, like every kind of industry, it must be fed with a sufficient working capital—which in point of fact earns larger profits than does any other capital employed. Place the case in comparison with that of manufacture! The more money our manufacturers put into their business, the more prosperous we hold national in-

* The late Mr Faunce de Laune made some very interesting experiments bearing on this point, on his estate of Sharsted Court, in Kent, avowedly with the object of testing whether grass land (some of it very good) may not be left unmowed for a number of years without loss to the owner—though it be without producing anything directly for the nation, and without giving employment to the hands who, in the natural order of things, look to it for their livelihood. Some of the results were in their way very remarkable. But from a national and economic point of view the whole drift of these experiments appears a mistake.

† For such results, experienced in Germany, see my article on ‘Peasant Properties’ in *The Contemporary Review*, May 1891.

dustry to be. It is just the same with agriculture. Instead of proving a defect, the needs of small husbandry—not for relief, but for productive outlay—afford one of the strongest evidences of its capacity for good; they correspond to the larger demands of our steam mills, which require considerably more raw material to keep them profitably employed than did the slow-working old hand-loom and spinning-wheels.

The French Government has not remained insensible to its duty of providing in this respect for the wants of the nation. Since 1837 one of its favourite schemes has been, to create a popular form of personal credit for small cultivators. Unfortunately this is a matter in which governments can do very little. In 1848 M. Lefour proposed action on the principle of the *Caisses Thurgoviniennes*: the raising of money loans by communes, on their collective credit, to be employed in advances distributed among necessitous parishioners. Very wisely this project was rejected. The commune could have refused no applicants and must therefore have lost money, probably it would have been ruined. In 1860 the Imperial Government founded the *Société du Crédit Agricole*, with a large capital, to do agricultural banking through the means of local committees stationed in various centres. By 1870 the *Société* found itself doing business with about five hundred ‘correspondents,’ most of them, of course, large proprietors, because the small cultivators did not care to go into the town, far away, to beg from strange gentlemen a favour which might be misunderstood and very possibly refused. By what small banking it did, M. Josseau has shown that the *Société* did not lose a *sou*. But that amounted to very little indeed, and in truth the institution could find no employment for all its ample funds, and so gambled them away in Egypt, advancing

French attempts to create Agricultural Credit.

168,000,000 francs to the Khedive Ismail. Lender and borrower could not so be brought together. Once more the Government set its hand to the work, hoping to utilise the rich resources of the Bank of France, as the Belgian had tried to utilise the funds of the National Savings Bank. With such vast wealth what might not be accomplished! Some thirty years ago a shrewd bank manager, M. Giraud, the director of the branch bank at Nevers, had seen his opportunity of doing 'agricultural business,' and had promptly and successfully seized it. Farmers in that district live by fattening cattle, for which purpose money is required, but money at short date is sufficient. He accordingly lent out in a course of years, between 130,000,000 and 140,000,000 francs, netting for his employers a '*bénéfice*' which he puts at 25,000,000 francs. The Government would enable the Bank to do the same elsewhere. It constituted *comptoirs d'escompte* to act as local brokers. However, in the majority of agricultural districts there is little wholesale fattening, and accordingly short loans are wholly beside the mark. The *comptoirs* appealed in vain to an indifferent public and thus one more promising attempt ended in failure.

The 'Syndicats
Agricoles.'

Quite recently a proposal has been made to utilise the *syndicats agricoles*—a creation of the last decade—for purposes of credit, and one or two practical experiments have already been ventured upon, more notably, one at Poligny—some more in the departments of Lozère and Oise—not thus far with particularly encouraging results. Like some similar attempts preceding it, this new departure appears to have been launched on mistaken lines, an incongruous combination of patronage and self-help, which shows itself as little conducive to satisfactory progress as would be the juxtaposition of a smooth rail and a cogged one. Nevertheless the enterprise indicates

an advance towards a sounder practice than has hitherto been observed, inasmuch as, in a crippled form though it be, it introduces the principle of self-help.

We hear so much said by our would-be agricultural reformers, who love to look abroad for their models, in praise of the French *syndicats*, that it may not be out of place very briefly to explain what these societies really are. In their most useful aspect they really represent nothing more nor less than co-operative supply associations for farmers, such as we have had long before they were formed in France, in some of our more pushing counties—Northumberland, Cumberland, Durham, Lancashire, Cheshire, Lincolnshire, Devonshire and Cornwall. We should have more, were it not that many farmers are so badly off for money, without which even co-operation is powerless to purchase goods. In Sussex I found myself foiled in well-intended efforts to bring about a similar combination by this insuperable hindrance. ‘You will do no good,’ said to me a tenant farmer who knew his class like no one else; ‘so many of these men are too deeply on their dealers’ books, and cannot get off.’ But if we have not as many county associations as one would like to see, we have exceedingly useful central associations, spreading out their network of business over the whole kingdom, and serving the needs of agricultural supply very much better than French *syndicats* can ever hope to do, at any rate under their present system.* For their *modus operandi*, though admirably pronounced by their great advocate, the Comte de Rocquigny, ‘*une opération d’une merveilleuse simplicité*,’ is bound to appear to us, with our commercial notions, a most roundabout and cumbrous procedure, which our dealers, for one thing, would

* One such association, which renders most valuable services to farmers, is the Agricultural and Horticultural (Co-operative) Association, of London.

'Un Programme trop étendu.'

never put up with. As a machinery for supply, accordingly, we need no *syndicats*, and should be only retrograding were we to adopt them. The *syndicats*, indeed, cherish the ambition (like Lord Winchilsea, by means of his 'Agricultural Union,') of serving a good many other objects, all of them useful, but so many in number that one cannot help apprehending that the ship must needs sink under so unwieldy and promiscuous a cargo which, as a matter of fact, seems still a long way off being put on board and has not indeed even yet been brought to the ship-side for loading. They are to act as 'Chambers of Agriculture,' they are to jog Parliament in respect of agricultural legislation, they are to have an eye on the tariff, they are to provide agricultural classes, employ professors, arrange lectures, set up laboratories, institute agricultural experiments in every department, negotiate sales and purchases to and from the farm, sell wine and grapes, cheese, butter, eggs, horses, cattle, pigs, send about thrashing machines and steam ploughs on hire, take contracts for hay, and corn, and straw—and lend money in the bargain! One cannot be surprised at finding M. Bénard, in his Report to the International Agricultural Congress recently held at Paris, criticising their ambitious project as marked by '*une tendance qui nous paraît dangereuse; c'est d'avoir un programme trop étendu et de vouloir embrasser trop d'affaires multiples.*' And all without money! For as yet the *syndicats*, as Count Rocquigny admits, command but very humble resources. They are looking for legacies. One lucky *syndicat* has actually captured a legacy of 10,000 francs. But in the main they are restricted for funds to the paltry subscriptions, rising from 50 centimes per annum and per member, to 2 francs, or at most 3 francs, which result in balance sheets like the following, quoted by M.

Durand, of the rather important *Union du Sud Est*, representing 52 *syndicats*, for the year 1890: annual receipts 1,096·65 francs; expenditure 995·60 francs; balance 101·05 francs. In view of resources like these it must be a long time before the *syndicats* can render much substantial help in the way of credit.

I do not wish to be understood as disparaging the very useful services which the *syndicats agricoles* have rendered. To France they have proved invaluable. France had no machinery whatever of this sort when in 1883 Professor Tanviray of Blois hit upon the happy idea of starting one. Her trade in artificial manures, in seeds, feeding stuffs and implements, was undeveloped, prices ruled high, and quality was notoriously bad. Agriculture was, as Comte Rocquigny puts it, '*routinière, arriérée, pauvre.*' In 1870 the entire trade in manures amounted to only 52,000,000 francs—£2,080,000! Now its figure stands at 120,000,000 francs. And M. le Trésor de la Rocque, the President of the National Union of Syndicates, estimates that it will shortly rise to 400,000,000. In truth, one may say, with M. Gatellier, that the use of artificial fertilisers has become 'democratised.' That shews, under one head, what co-operation may do for agriculture. However, the *syndicats* must not take credit to themselves entirely for all this benefit. The teaching of chemists, like MM. Georges Ville and Joulie, and the exertions of one of the most active Ministries of Agriculture in Europe, have contributed a good deal towards the result. But the *syndicats* have done not a little. And yielding good service, they have quickly become public favourites, and so have multiplied surprisingly. They apply the co-operative principle in rather a timid and halting way, dividing their members into two classes—the rich men, *membres fondateurs* or *donateurs*, who subscribe

Utility of the
Syndicats.

pretty largely and manage the machine through their *Chambre Syndicale*, the executive *bureau* and the *président syndic*; and the poor, *membres ordinaires*, who are supposed to meet once or twice a year, to elect these bodies, but who have not themselves much to say in the administration. Such arrangements never work well, and in the present case one cannot be surprised to find Comte Rocquigny frankly confessing, with regret, that co-operation has failed to draw the whole constituency together—which was one of the main objects of the *syndicats*—to make them know one another, and to create a uniting bond between them.* But in respect of supply this kind of co-operation has answered well enough. By 1891 the number of *syndicats* had increased to 750. At the present time Count Rocquigny will have it that it stands at 900, with probably 500,000 members—though only a smaller number are on record. The annual transactions of the hundred most important ones are known to amount to about 25,000,000 francs; and the business of the whole number is variously estimated at from 50,000,000 to 90,000,000 francs. That is not all. For, thanks to the wholesome pressure applied by these powerful bodies of cultivators, the entire agricultural trade has been reformed. Prices have declined by twenty and thirty per cent.; and fraud and adulteration have very substantially diminished. That is something to boast of, even though in other respects little have been attained; and under the leadership of such men as M. Develle, M. Méline, M. Du Pont, and M. Christophle,

* ‘*Le lien que l’association syndicale a pour but d’établir entre ses membres y existe à peine; ils ne se connaissent pas, ne peuvent se fréquenter, et n’entretiennent que des rapports en quelque sorte administratifs avec le bureau de leur association.*’ In the small cantonal associations, where members are more in touch and more on a level, it may be worth while to note, the Count finds, combination has had a far more satisfactory effect in promoting co-operation.

no doubt the *syndicats* will move on from strength to strength. To France they represent one of the most useful innovations of post-Empire days. To us, in respect of the benefits of co-operative supply, they ought to be encouraging—but otherwise we do not want them—except it be as a timely, not uncalled for, lesson, what not to attempt in our desire to benefit agriculture. Our national tastes do not run in the direction of societies with a Briarean apparatus to accomplish a hundred different objects. Macaulay's simile must still be allowed to hold good, that pianoforte making and baking had best be left to distinct callings. Chambers of Agriculture are probably very useful for their own purposes, co-operative associations certainly are so for another, agricultural societies for a third. By mixing them all up into one huge 'union,' we should probably be depriving each one of its specific utility. And we are rarely indeed found to betray any sympathy with movements which write 'Co-operation' on their banner, but in frank moments (see Comte de Rocquigny's articles) admit themselves to be prompted by a desire to accomplish with economic weapons such quasi-political objects as dishing '*les Krapotkine, les Karl Marx, les Jules Guesde,*' and, by the institution of 'mixed syndicates,' putting a spoke in the wheel of class champions who are forming *syndicats* of labourers and small cultivators only.

In respect of money co-operation, which in France as elsewhere has been found the co-operation most urgently needed, the *syndicats* have achieved next to nothing, under what appear to be the most favourable circumstances conceivable. And with their half-and-half arrangement they seem destined to accomplish little more, because that arrangement fails entirely to evoke the spirit of determined zeal and unselfish devotion which can alone carry such

*Syndicats as
Credit Associ-
ations.*

enterprises to success. The *Syndicat de Poligny* has, like the other *syndicats*, its *actionnaires fondateurs*—who take up 500-franc shares, and manage the affairs of the Society, not borrowing themselves; and its *actionnaires sociétaires*—who pay for their modest 50-francs shares by instalments and are entitled to borrow—givers and takers of credit. To make things quite easy for it, the *Syndicat* found a philanthropist on the spot, M. Bouvet, who generously placed his own office and staff gratuitously at the service of the Society, and undertook to receive all moneys which might be handed over to him, paying 4 per cent. interest upon them. In spite of all this, the business done amounts to a mere trifle. In 1889 with a capital of 30,200 francs, the *Syndicat* managed to attract only 10,000 francs of deposits. Other experimental credit-*syndicats* have done even less. And there seems no immediate prospect of any doing better.

Lessons taught
by French
Money Co-
operation.

All round, then, the lessons taught by French experiments in co-operative credit, however interesting in themselves, appear thus far rather negative than positive. Their whole history shows the co-operative principle—like ‘the Infinite’ according to the Anaximandrian theory—‘in a constant state of incipency’—making a beginning, but carrying scarcely anything to accomplishment. The Poligny and the de Besse experiments are the most hopeful of recent attempts, because in them at any rate to some extent is the principle of self-help recognised, on which alone, of course, can any successful co-operation be built up. Generally speaking, in this matter, we seem to have before us in France a sort of economic ‘Chat Moss,’ under the surface of which the most ingenious contrivances have been sunk, to disappear one after the other to the eye, but, while disappearing, one may reasonably hope, slowly mounting up

underground to a solid bank, upon which in due time may be erected an enduring fabric. In this aspect the formation of a pioneer Raiffeisen bank at Langé appears an event of good augury. The Government are known to be watching the development of the Raiffeisen system with warm interest. At the recent Congress of People's Banks held at Lyons, the (then) Minister of Agriculture, M. Develle, followed the explanation of its principles with keen attention, and, in addition to decorating the two representatives of Raiffeisenism present, Herr Raiffeisen and Signor Contini, with the *mérite agricole*, he promised his support in the clearing away of a legislative hindrance, by the reduction of an inconvenient stamp duty. Lyons has in the past proved a fruitful soil for co-operative undertakings. And if this little experimental institution thrives and flourishes, it is likely to find itself the parent of a rapidly multiplying progeny. Very possibly France may require some adapted type of its own, with a distinctively French stamp upon it. However the problem be solved, in the interest of her poorer classes one may be permitted to hope that in one way or another the fond dream of more than fifty years may be destined soon to become realised and that the country which has studied the theory more closely than any other, may at length obtain in practice the boon of 'popular' credit.

CHAPTER XII

CONCLUSION

Aggregate Result of Existing Money Co-operation :
£200,000,000
raised annually.

HOWEVER inadequate, as a matter of necessity, must be the picture drawn within the limits of a small book, of the wonderful effects which the new economical power called into being by Schulze-Delitzsch, Raiffeisen and their disciples has brought forth, enough will probably have been said to show that the seemingly high-flown language employed by Professor von Dobransky and other eye-witnesses is by no means over-strained, and that, in truth, as M. Jules Simon has put it:—‘The greatest banker of the world is he who disposes of the mite of the poor.’ Take the aggregate results produced in the various countries of the Continent in which this newest form of self-help has found a home—the economic benefit—the mere current value of the cash turned out annually by this prolific mint coining money without metal—cannot fall far short of a couple of hundreds of millions sterling. Put the figure considerably lower, and even that gain to the community must be worth a far greater effort than it has actually cost to produce it. And it will have to be borne in mind that the cash is applied by a self-regulating action at the very points at which there is most call for it, where it will relieve most need, set most unemployed labour in motion, fructify to best effect a nation’s resources—

and bring forth, to a larger amount than any other agency has shown itself capable of doing, through that powerful appeal which reaches heart and mind through the pocket, the virtues of thrift, sobriety, carefulness, forethought, love of peace and of order, in short, all the elements which make up national happiness and ensure social, political and economic stability. Modern civilisation, with all its resources, it may well be said, has not called into being any economic power of equal potency. There has been nothing to compare with it, as a factor of production, in contrast to older agencies, since the invention of steam—to which, in respect of its motive force, it may very well be likened. As those diminutive drops which James Watt, rated for it by his relatives as a ‘dreamer,’ condensed upon his teaspoon, once they were gathered together, grew to the great motive power which now practically rules the world, so the small efforts put forward by the needy peasants in the German forest and on the Lombardy plain have, in their multitude, resulted in the huge store of £200,000,000. For Germany alone the figure amounts, as has been said, to something like £150,000,000 a year—which should correspond, by the standard of population, not of national wealth, to about £120,000,000 for this kingdom. What power other than co-operation could produce so astounding a sum? And, in its application, this new force, it ought to be noted, means a good deal more than ‘the democratisation of credit.’ Potentially, it points, by means of such an effect, to ‘the democratisation of production,’ the spreading out of a considerable portion of productive work, freed from the trammels of dependence, yet orderly and quiet, over a wide area of emancipated labour—which, in its effect, must mean ‘Peace’ in a wider sense than Schulze had in his mind, when selecting it for his motto. There can be

Credit Co-
operation
comparable to
Steam.

The ‘Democratisation of Production.’

no antagonism between Capital and Labour, once the working-man has become 'his own capitalist.' There can be no strife over the distribution of profits, when Labour is free—to the limit of its ability—with production, to keep also all profits in its own hands—recompensing the Capital which it borrows through its People's Banks merely with a moderate interest.

Is Money Co-
operation ap-
plicable to
England?

The question naturally presents itself: Has this wonderful power, which has done so much for our neighbours, and which has shown a peculiar capacity for adapting itself to different circumstances, no gift for ourselves?

Cases calling
for Relief.

That there are no cases among us calling for the employment of so helpful a remedy, no one surely will attempt seriously to argue. In truth the ground bristles with them. It is quite true that we have not—as Mr Ludlow and Sir R. Morier have both pointed out—the small 'jobbing' tradesman among us—not at any rate in the same force in which he is met with abroad. He is there all the same, though he keeps himself less in evidence. We have likewise not the continental working peasant, who has supplied an army of customers to the Raiffeisen and Wollemborg Banks. Not yet. But he may come. Before many years are over some embarrassed land-owner or other may wake up to the fact that by shutting out this humble but useful type of cultivator from the land he is very considerably lessening his own income. Official inquiry abroad has shewn, that in districts in which the prevailing agricultural system *most* resembles our own, the market value of land varies, generally speaking, according to the size of estates in the following ratio: the price of the same piece of land in large estates is as 4, in medium as 5, and in small as 6. Even at that rate sub-divided land pays a very much better interest. Whatever incredulous old fogeys in this country, who

have never looked into the practical working, may pretend—wherever land is freely saleable and divisible, experience has shown that small properties display in bad times the greatest power of resistance. In France, the reports presented to the International Agricultural Congress of 1889 prove that it is the *large* proprietors who have suffered most from '*la crise agricole*.' In Belgium it is for the *tenants* mainly that credit is sought and *syndicats* are being organised. In the backward plains of Lombardy it is the small *freeholder* who is thriving. In Germany Ministers of Agriculture own that how the small people under their control have weathered a prolonged crisis, is perfectly incomprehensible to them. And in the eastern provinces of Prussia the Government finds itself almost as much embarrassed as helped, in its policy of cutting up large estates into small, by the ready offer of landlords to sell and the number of persons applying for small freehold plots—most of them old hands at small husbandry, who well know what they are about. However, with that question we have at present no concern. But take an estate worth £100,000, paying its owner, say £2,000, out of which may go a tidy slice in conventional taxes upon 'position.' Supposing the German analogy to hold good, that estate, if divided into small plots, would fetch £150,000, which might bring its vendor £6,000 annual interest, without any special calls upon his purse. Once this comes to be understood, we shall have a proprietary peasantry fast enough.

But even in the meantime, though we have not the same claimants to our help as our neighbours, we unquestionably have the same need to contend with. There is the 'Unemployed,' for whose relief we are asked to pay, either in charity or else in rates, furnishing money to be expended upon work which probably is unnecessary,

The Unemployed.

merely to provide an excuse for keeping him in bread. In Italy the same man would go to his *banca popolare* and, with the cash there procured, would undertake a paying job on his own account—at least a good many of his class would, leaving a much more manageable balance to be dealt with by the community. Even if we had actually to subsidise People's Banks, which is not suggested, it might be judged better, through their agency to provide and stimulate useful, *not* unnecessary work, teaching the men employed the virtue of self-reliance, rather than to make roads and build houses which no one wants. The 'Unemployed' is, moreover, not a mere casual visitor. In one shape or another we have him with us always, and the more we provide for him in comparatively busy times, the less danger will there be of his hopelessly swamping us in periods of exceptional need. Then, there is the poor 'sweated' worker, who, according to the testimony of Mr Schloss, is as plentiful now as he was a few years ago—the victim, as Mr Charles Booth put it the other day, of 'helplessness,' which makes him a prey to knavery. Take the 'helplessness' away, find him the money which will make him independent of his exacting taskmaster, and the victimising will cease—just as the oppressions of the 'sweater's' twin-brother, the usurer of the Continent, have ceased wherever People's Banks have once secured a firm footing. We have little usury of the foreign type among our humble folk, it is true—aye, but every inquiry instituted into the condition of the working population reveals an appalling amount of habitual pawning. Blankets, coats, shirts, kitchen utensils, implements of work, keep flying backwards and forwards, to and from the pawnshop, like balls in a juggler's hands. A People's Bank, rightly used, would put a stop to all this—not merely for the

The 'Sweated.'

Victims of
Pawnshops.

moment, by providing the small sums wanted—but permanently, by implanting habits of thrift and carefulness. And rise up higher in the scale. How many a small householder makes wry faces over the heavy tribute which he has to pay for chattels bought ‘through the nose,’ as the saying is, ‘on the hire system.’ Victims of the ‘Hire System.’ More cases might be quoted from our towns. But, to move into the country, if there is no peasantry there, there is ‘Hodge’ with his newly-gotten ‘allotment’—the bare land, which legislators give him, as if that alone would bring forth fruit. There will some day, please God, be ‘Hodge’s’ bigger brother, provided with a holding under the ‘Small Holdings Act’—more especially when small holdings are made, not purchaseable only, but ‘*lettable*’ also, as they are in Germany. ‘Hodge.’ And above both these classes there is the large farmer, well-fed and apparently well-to-do, but held ignominiously in leash by the dealers to whom he owes money. The Owner of a Small Holding. Without money he cannot go to the co-operative supply association. He must buy what his dealer sends him, and pay for it dearly enough. The Larger Farmer. In no calling does the system of working on credit spoil the chance of profit more than in agriculture. Better far to be in debt to a bank for money—especially if it be raised at the right time, not to stop a hole, but to provide working capital—than to be tied down in the supply of materials, and hindered in every movement. And in no calling nowadays is an ample working capital more urgently required. Utility of Loan-Banks to Agriculture. M. Beer-naert’s words in respect of Belgium apply to the very letter to our own case. In agriculture, more than in any other industry, it is the *extra* saving, the *extra* dose of manure, the *extra* bag of cake, the *extra* cultivation, which yields the richest return. The only farmers who do at all well at present in this country are those who command a working capital altogether disproportionate

in its amount, according to old-fashioned notions, to their holding. Accordingly to no calling would co-operative credit banks represent a more timely benefit. It is idle to scold cultivators on the score of '£38,000,000 a year' sent abroad for produce which they might very well raise at home. They might—but not without money. Attempting to raise it without money, raising it otherwise than in such crops as only the best manuring, the best cultivation, the most constant care, will ensure, means, in England, raising it at a loss. And there are other poor in our rural districts as well, with hands outstretched for useful, if not absolutely necessary, productive cash. Every village can muster a band of men who would be glad enough to borrow for trade purposes, could they do so without ignominy, at reasonable rates, and for such time as would make the loan self-repaying. And there are everywhere the occasional poor—the carrier whose horse drops, the clerk or overseer who has trouble at home, the poor trader who suffers an unexpected loss—the people who now come to friends and patrons, raising by loan, or gift, or subscription, what they ought to be able, were the machinery handy, to raise for themselves. And is there no plea allowable for those who are made to subscribe for these men—very often more freely than they can afford, especially in small towns—and for those who are pestered for private loans which in improvident hands do not good, but harm? The presence of a People's Bank would silence many an importunate beggar of the type referred to, and compel him to turn his loan to good account instead of squandering it.

Collateral
Uses.

In truth, there is a vast waste crying out to be cultivated. And there are collateral uses such as we have seen practised in Italy and Germany. How many attempts have been made in this country to introduce co-

operative agriculture! And how few of them have succeeded! Naturally so, because in a calling which of all others requires the stimulus of certain reward for individual skill, individual application, individual knowledge, we have deliberately neutralised all these productive powers by endeavouring to revive an anachronistic system, similar to that of the extinct French *communautés*, with a common purse and collective tenure. Apply co-operation in a different form—show the cultivators how to co-operate for money, while reserving for each individual the special product of his own skill and application, and the chances are, that what has been accomplished on the Rhine and in Lombardy, to the benefit of the whole community, will be accomplished in England also. Then there are the co-operative dairies. We have them here. But in what shape? Some large landowner provides the establishment, finds the money, and secures the co-operative aid of his small neighbours, really only as a kind of profit-sharing, recompensed by a pledge to supply milk all the year round. Abroad the small men take as full a share in the setting up of the establishment. The Bank finds the money. Large and small are in the most complete sense co-partners in the management and supervision, as also in the profits; and the system works better. And why should we not replace our charitable soup-kitchens and penny dinners, at any rate to some extent, by the *ristoranti cooperativi* which have succeeded so well abroad? It would only be doing the same thing in a better way. And would not People's Banks be a material help to us in the distribution of relief after the model of the Banks of Lombardy? We have long purses in this country—some of us. But even to us a distributing agency which could quadruple relief funds and supply a certain guarantee that the money would

Co-operative
Agriculture.

Co-operative
Dairies.

Co-operative
Soup-Kitchens

People's Banks
as distributors
of relief.

go to the right person and be employed in the right way must be an improvement on our old system. Our charity organisation societies and committees are doing excellent work—though to a great extent negative work rather than positive, checking rather than distributing. But they could not possibly in efficiency of execution compete with self-help agencies, which can gauge the merits of every individual case, and supervise the application of relief money on the spot.

Ireland.

There are more cases of need that we are responsible for. There is Ireland with its gombeen man—as yet strangely non-co-operative. There is room there, surely, for an agency, which, according to M. d'Andrimont's experience, means '*ordre et économie*.' And there is India, to apply M. Léon Say's words, 'literally devoured by usury,' if ever country was. The work of relief to be accomplished in our Asiatic empire is of such colossal proportions, that for any instrument but self-help its enterprise must appear hopeless. Fortunately there is some prospect of its being applied.*

India.

The System is not *a priori* unsuited to our Case.

There are calls, then, in plenty, and tolerably urgent ones. Nor can it be argued that the system must be *a priori* unsuitable to our case. Its methods are unfamiliar to ourselves. But that is because it attempts a task which we have never before seriously approached. Our co-operative associations are trading and money collecting, not money-raising and money-distributing associations. They work *with* money; credit associations work *for* it. Their object is the best employment of that which the loan banks are formed to acquire. The two aims are direct opposites: one begins where the other ends. It stands to reason that the methods

* Inquiries have recently been made at Neuwied on behalf of the authorities in the Presidency of Madras with a view to the application of the Raiffeisen System.

applied must be as distinctly different. A system which has accommodated itself with readiness to needs so diverse as those of the Berlin townsman and the Rhenish peasant, the Belgian artisan, the Italian trader, the builder, the seamstress, the *massariotto*, surely ought in some form or other to be applicable to ourselves, so much better fitted for its use by our much more developed business habits.

But there is stronger evidence than this to quote in favour of the applicability of People's Banks. For the tentative beginnings which have been made among us—in a variety of ways—to secure that which People's Banks give, one and all turn on the same wants, the same principles, the same striving for relief by similar means. Their main shortcoming is, that they do not go far enough. Some of their methods also are undoubtedly faulty. But at bottom they seek to accomplish the same end by similar means. And it is interesting to observe that, generally speaking, in their experience the same methods have produced very similar results—similar calls for help, similar virtues as the outcome from help afforded.

Even in our popular 'Slate Clubs'—the aid associations formed by employes of one firm, to collect subscriptions and grant occasional small loans—we find, rudimentary enough, but still articulate, the recognition of a need of self-help banking. These Clubs are very numerous, and in a rough and ready way they answer their purpose pretty fairly. They are altogether primitive—indeed they owe their name to the fact that the accounts kept are so simple, that a slate will suffice for all the book-keeping. And they dispose of very small funds. But they prove the utility of self-help and an instinctive tendency among industrial workers to resort to it. Our 'Loan Societies' exhibit the same

Our 'Tentative
Beginnings.

'Slate Clubs.'

'Loan
Societies.'

idea a little more fully developed, but scarcely improved. They are now distinctly on the decrease, and have so much ceased to interest even Members of Parliament, that for some years back no returns have been published. From 1889 to 1890 their number dwindled from 333 societies with 39,960 members, and £273,003 funds, to 311 societies with 34,816 members and £267,871 funds. At the present time there are probably still fewer. And, from a co-operative point of view, there is no reason to regret their decline. For, although they certainly accomplish a certain amount of good, the co-operative principle appears in them reduced to a mere aspiration. They err most decidedly against at least two of Sir R. Morier's cardinal rules: for they neither impose a 'maximum of responsibility,' nor do they provide a 'maximum of publicity.' The members as a rule do not know one another; all loan transactions are kept deliberately secret; and the management devolves entirely upon the officers, and more particularly upon the secretary, who receives a tolerably substantial salary—in one society I found it about £45 a year. Their principle is simply this. Members subscribe sixpence a week each, besides an entrance fee (about 1s. 7d.) and 2 shillings or thereabouts annually for management, and as soon as they have paid up a certain amount, say 26s., they become entitled to a loan of a larger amount, say £4, at 6½ per cent. interest. Members may go on paying in sixpences as long as they choose, receiving interest, generally at the rate of something like thirteen-pence per £ per annum. In large societies the money sometimes accumulates to an embarrassing degree. Recovering loans is not always easy work. In 1890 there were 3,052 summonses issued, which, as the Chief Registrar has put it, amounts to about one summons to every £4 profit. The *clientèle* of these societies consists

as a rule of small tradesmen—the very class who in the main fill the ranks of Signor Luzzatti's *banche*, and to whom a loan of £10 or £15 is sometimes a material boon. The loans are made repayable by instalments, with a rebate allowed on early repayment. Besides the 'Loan Societies,' there are a few 'Specially Authorised Societies'—'Funding Clubs,' they used to be called—based on much the same principle.

In Scotland the want increasingly felt amongst small folk of a lending society has resulted, in 1889, in the establishment of a 'People's Bank' of an entirely different type, formed under the auspices of the East of Scotland Co-operative Conference. Of course, this Bank, which is simply 'feeling its way,' has adhered in the main to those old-fashioned principles which M. Léon Say repudiates as representing '*l'enfance du crédit*,' and which more experienced People's Banks have discarded. It is mainly a mortgage bank. It does under circumstances advance money on 'approved' bills, but, as in the twelvemonth ending on the 30th June 1892, out of £6,081, 5s. 7½d. lent in all, only £33, 9s. 2d. was lent on bills, the proportion of personal credit accorded evidently is not large. In spite of its locking up so much of its money in mortgages, and lending up to an unconventionally high proportion of the value of the security pledged, there can be no doubt that the Bank—which is economically and carefully managed—has inspired some confidence. For in the year already mentioned, upon a subscribed share capital of £1,565, held in £1 shares (payable either in full or by 2s. 6d. instalments) by 191 individuals (1,587 shares) and 8 societies (295 shares), it had attracted £2,000 of ordinary deposits, and £4,982 of savings, on either of which it allows 3 per cent. interest. The lending is done at various rates, according to circumstances, ranging from

The Edinburgh
'People's
Bank.'

4 to 7½ per cent. The fact particularly deserving notice is, that, according to the testimony of the Secretary, the whole of the £6,081 was lent out to people '*who would not have approached the larger banks, which are generally looked upon as aristocratic institutions.*' This makes thoroughly good what *Chambers' Journal* wrote in 1883:—

'There is a great blank or want of intermediate banks between the large Joint Stock Banks and the Savings Banks. We have no banks to correspond with the People's Banks of Germany, or the moderate sized National Banks of the United States. There is a large, industrious and respectable class of small-farmers, tradesmen, shopkeepers and others who are left out in the cold. There should be popular banks and banking facilities provided for the numerous class of small customers who require a bank to deposit their savings in, and at the same time to turn their little money to the best account; also, on the other hand, to accommodate those who may want to borrow small sums occasionally for stocking their farms or their shops.'

Middlesex
'Self-Help'
Societies.

That is, of course, taking the Swiss or Belgian view of the problem rather than the German and Italian, which aims at going lower down than the stratum of farmers and shopkeepers.

Apart from those modest beginnings, the most interesting, and to co-operators the most encouraging, experiment thus far carried out in England, is that for which four Middlesex parishes have to thank the present Vicar of Ealing. The establishment of such 'self-help societies,' at any rate in rural parishes, is here especially vicar's work, and the excellent results which have in a small way already crowned the undertaking, ought to encourage many a clergyman to become a credit-banker in his own parish, and so to attach the local population to the representative of the Church by the strongest of ties. The founder of these English societies very

wisely asked the members what their wants really were. A costermonger promptly explained, that, if ever he saw his way to a little stroke of business, when he was bare of cash, he had no means of help within his reach. A pound might double or treble itself in a few days. But going to a usurer for the sovereign — always assuming the usurer to be willing to advance it to him—meant, that the usury would eat up nearly all the profit. Begging the loan must mean, probably disappointment, in any case descent to a degrading position. And if, after all, the sovereign were raised, the chances were that the opportunity would have slipped by. These societies are genuine ‘working-men’s’ self-help societies, with limited liability, based upon shares which may be paid up by instalments, at the rate of sixpence a week. The societies are entirely self-governing, and their experience has already brought out with some distinctness the inborn capacity for self-government peculiar to Britons, and its sister-virtue, a lively sense of responsibility. The working-men are beginning to feel a pride in their institution. They prefer to manage it themselves, without ‘gentle’ interference to assist, which would mean restraint. The societies elect their new members. They appoint a committee, officers, etc., but keep the ultimate control of matters collectively in their own hands. According to the last report issued, the largest of these societies numbered at the beginning of last year 265 members. Within five years it had taken £1,978, 1s. 9d. in subscriptions; at New Year 1892 it held £1,819, 9s. 7d. of deposits; in the five years it had granted £3,935, 3s. in loans, and recovered out of that amount £3,415, 11s. 2d. Nothing seems more striking in the experience of this society than the conscientious honesty and punctuality with which poor people make a point of

repaying loans, once they are constituted the trustees of their own interests—even those who otherwise make no bones of keeping back ‘rich men’s’ money. One man, who sent in his instalments with most praiseworthy regularity, had previously borrowed £2 from the Vicar. ‘How is it that you pay the society, and never offer to pay me?’ ‘Ah, you’re the Vicar, you don’t want it,’ was the reply. That puts the case of self-help versus patronage in a nutshell. To quote one instance of a loan granted and its benefits—A man had the ambition to set up as a greengrocer, and felt himself fit for the work; but he lacked the money. The society advanced him £30. He opened his shop, bought a pony which, on his own christening, became known throughout the parish as the ‘self-help pony.’ Now he has a thriving business, keeps two horses, lays by money—and has long since repaid the debt.

An Incipient
‘Banca.’

Here is a capital nucleus for a *banca popolare*. Indeed, after looking at all these cases and watching how perseveringly and by what various efforts the need of small men has sought for itself a remedy in combination, it would be futile to pretend that there is no call for relief-banking in this country, or that co-operation is not here as elsewhere plainly marked out by that surest indicator of Nature’s intentions, human instinct, as the aptest instrument. Our tentative methods are still rude and imperfect, and accordingly yield but inadequate results. They do not altogether miss their point, but they fail to reach it home, because, like the chemist Gall, more than thirty years ago, they still look for help entirely to the use of mere co-operative cash, failing to discern that cash, to be made fully productive, must be expanded into credit, just as gold, to feed and clothe people, must first be converted into bread and cloth. But if our poor people instinctively select such methods as those de-

scribed, it cannot be argued *a priori* that the more perfect methods which long practice has created abroad must necessarily be unsuited to our case. When I hear the familiar talk put forward against 'foreign' methods as *ipso facto* inapplicable here, I cannot help recalling the same objection in its inverted form, with which nearly thirty years ago my introduction of certain English methods of husbandry was met abroad. 'That was all very well for England,' people said, 'but it would never do here.' There is not a single 'English' usage of my introduction then objected to which is not now practised very generally in the very district to which it was first declared wholly inapplicable. It is just the same thing here. *Quod ubique, quod inter omnes*—is sure to apply in England also, be it doctrine or be it practice. We may be in doubt as to which system we had best employ. But with so elastic and adaptable an instrument to work with, it would be scarcely creditable to English ingenuity and practical sense if out of so malleable and ductile a metal these native qualities of ours should fail to hammer out some implement qualified to serve our turn.

For selection of a type to graft upon our own economic system the practices of the Continent offer a goodly choice. Probably our best course would be, not to 'copy' any institution in its entirety, but, like Signor Luzzatti in Italy, 'to produce a new type of our own, marked with a strong "British" originality.' It would depend upon our object in view, which example we should first decide to follow. The Swiss Banks, one would think, studying co-operative profit, and attaining it, ought soon to find imitators among our patrons of 'Stores.' For wider action, in our populous centres there ought to be room for an institution based upon the principles of the *banche popolari*—safe, simple,

What we
might do.

and bearing that commercial character which is so dear to us. For rural parishes and for very poor working folk there appears to be only one system applicable, and that is the system of Raiffeisen and Wollemborg.

The Example
of France.

But could we apply it? They used to ask that question in France, and to declare the application *irréalisable*. They have studied the system and observed its practical working, and now their answers are pitched in a different key. 'There are many agricultural centres,' says M. Fournier de Flaix, 'in which Raiffeisen Loan Banks might well be established.' 'Could we apply them in France?' asks M. Rostand. 'Without unlimited liability, I reply unhesitatingly: Yes. And even with it, in rural districts where there is no danger—why not?' 'I do not believe that it would be difficult to introduce into France the principle of unlimited liability,' writes M. Durand; 'only, we should have to do as they have done in Italy—it wants a man who will devote himself to the cause with his whole heart (*un homme de dévouement*) to persuade, first, a small group of peasants, and to found the first co-operative bank; the success of that bank would encourage the peasants in adjoining parishes,' the thing would spread, and, 'after several years of struggles and difficulties, rural loan banks would become general here just as they have done in Germany and in Italy.'

Pretty much the same thing may be said of England. *Dévouement* and some practical experiment might soon convert our indifference into zealous, active faith. We are a little behindhand in the matter, and the terrors of 'unlimited liability' may possibly frighten us a little longer than the French. It may be that even the Italian practice of limiting the lending powers of the managing committee would fail wholly to allay our

fears. Well, then, we must begin, like the Hungarians, with limited liability, and grope our way on, step by step, discarding obstructive safeguards adopted in our first timidity, as we find them to be unnecessary.

No doubt we have certain difficulties to contend with peculiar to ourselves. Of the technical hindrance placed in our way by the letter of our law—which forbids banking by societies with ‘withdrawable’ shares—too much ought not to be made. That obstacle could doubtless be turned or overcome, just as an equally hampering and equally technical obstruction was overcome in Italy by Signor Luzzatti. But in comparison with Germany, we are handicapped by our freer institutions, which produce a more shifting population, whose movements cannot be so steadily followed. In this respect, however, we are not, at any rate, very much worse off than the Italians. Caution in the election of members and in the acceptance of securities ought to meet the point.

On the other hand we have local advantages which ought to outweigh these local hindrances, and place us, really, in a better position than our neighbours. Our whole country is more commercially organised, we have, generally speaking, larger communities, affording a fuller measure of mutual support. Money is cheaper in the market and, after all, more plentiful in poor folk’s pockets. Their need may be equally great, but it takes less sacrifice to produce a shilling here for subscription than in Italy it does to produce a lira. There is no occasion to lend money more cheaply than is done abroad. But we can borrow more cheaply and more largely, if need be, and we have an entire banking apparatus, well perfected, spread out over the whole country, into which the new organisation could readily be made to fit in. In Germany, when the People’s Banks

Our Advan-
tages.

began work, all these things were non-existent; and even now they are not so fully developed, nor as generally understood and as generally used, as they are here. Furthermore we have here no $3\frac{1}{2}$ and $3\frac{3}{4}$ per cent. Savings Banks to compete with. With a fair interest allowed on deposits, our banks might in many cases, after a short time, attract all the money required for lending from their own districts. Nor must the Friendly Societies be forgotten, which are more numerous and more generally supported here than in any country. In Italy, as Signor Luzzatti attests, they have proved the very 'mother' of the *banche popolari*, directly giving them birth and ensuring to them their first nourishment. They are scarcely likely to prove less generative here. And they could bring a whole army of members to the muster. Generally speaking, the principles of thrift are better understood, and in the Penny Banks and similar institutions we have potential People's Banks actually in existence, waiting to be developed. Lastly, thanks to the generous scale on which charity is habitually practised, we have funds ready—large funds, practically going a-begging, and often given only in spite of doubts, whether the *recte oblata* will prove also *recte divisa*. Out of this floating treasure of charity probably a goodly portion would be available for starting funds, answering to that loan of £300 with which Herr Raiffeisen began his work, and to the £150 which Austrian Provincial Governments advance to new Raiffeisen Banks for two years. Even a little such help would go a long way.

Money Co-operation seems practicable.

Circumstances, then, are on the whole not unfavourable; and once the new banking system was understood, no doubt justice would be done to them and to the acknowledged need of help. Probably we should begin

a little timidly and tentatively, upon the lines of limited liability. There would be no harm in this. The more we proceed upon independent lines, the more likely are we, in the end, to hit upon something fully suiting our case. A guarantee fund subscribed by some wealthy people, and opening to the new self-help society, a drawing account at a local bank, seems, on the whole, to answer the requirements of the case perfectly well. The fund would be withdrawn as the reserve became sufficient. The difficulty is, without unlimited liability to bring home their responsibility to members with sufficient constraining and restraining force. Without that no good work could be done. How to attain it, probably only experiments could show. The gain is, however, worth the effort.* If Germany can by the help of her People's Banks raise annually somewhere about £150,000,000, circulating in commerce, of which not a shilling remains idle, of which every penny takes effect, stimulating trade, developing agriculture, feeding home industries—

* The guarantors might, after the example of the General Meetings of certain Italian *casse rurali*, grant the credit required—not cash, which might lead to improvidence—in very limited amounts, extending it, as occasion would demand, or else refusing it, if banking practices should become loose or shifty. That would secure a constant hold upon the members and keep them on their good behaviour. The guarantors might also, adopting the practice of Austrian Provincial Diets, grant a credit only for a fixed period, after which, as in the *casse*, it might, or might not, be renewed. All this I should look upon merely as a provisional arrangement, designed to keep the Bank in funds till it should have acquired sufficient financial strength of its own. More elaborate arrangements would probably prejudicially complicate business. Among the members proper, responsibility ought to be as severe as it can at all be made. Absolutely unlimited liability possesses this advantage, that it marvellously quickens the sense of responsibility and at the same time provides adequate security, without making conditions deterrently oppressive to the poorer members. The fancy practice of Belgian, Swiss and Hungarian Banks, of extending the liability to a multiple of the share, secures this object only, because against the poorest members it would under the circumstances be unenforceable. In any case the People's Banks constituting themselves in this country would do well to bear in mind Sir Robert Morier's three golden and cardinal rules, which are to provide: (1) A Maximum of Responsibility; (2) A Minimum of Risk; (3) A Maximum of Publicity. Abstracts of accounts properly audited should be issued regularly at short intervals to all who might be interested in the solvency of the Bank, as is done in Italy.

if Austria can raise £25,000,000 or more, and even 'Darkest Russia' about £2,000,000, what could not we accomplish with our proportionately larger population, our ampler wealth, our more abundant facilities? And to what extent should we benefit by it! We should probably have to *étager* our banks, like the Italians—organising them on graduated lines for different localities and different *clientèles*—such as small tradesmen, artisans, unskilled labourers. In rural districts the parish would afford the best natural area, as in Rhineland and Lombardy. These same parish banks would probably suffice for the needs of small cultivators holding land under our new Acts. Could the landlords be brought to join, over wider rural areas Co-operative Banks might well be formed, to help the larger farmers and secure to them the benefits of co-operative supply. And why should we not, by the light of encouraging examples from abroad, look in the future for further developments still, such as co-operative insurance, co-operative sales, co-operative action in many other matters,—the production of working capital, of profits, of the same blessings of plenty which have abroad issued from the co-operative cornucopia?

The Blessings
which it would
bring.

That is looking at the matter from its economic side. But it has, as has been pointed out, its moral, educating side as well, more beneficent than the economic. The training of this co-operative power has succeeded where other educating methods have failed—making the drunkard sober, the spendthrift saving, the ne'er-do-weel well-conducted, turning the illiterate into a penman. What an opportunity is there here for ministers of religion, for temperance advocates, for philanthropists, for all who have the people's moral welfare at heart!

Only we should do well to take to heart the teaching

which we owe to the experience of People's Banks abroad, and ground our own institutions *absolutely* on self-help, the more thorough the better. Every dallying with greed, every yielding to the spirit of patronage, foreign experience has shown, adds a toe of clay to the huge brazen Colossus, and thereby threatens to overthrow it in spite of its size. '*La cooperazione è un affare sorretto da un'idea morale. Tanto vale l'affare quanto splende quella idea.*' And the thing must grow from out of its own self, from the bottom to the top. Committees and boards can do nothing. Large schemes worked by public bodies are as much out of place. The working-man and the farmer must become 'the instruments of their own emancipation.' None of the systems which have succeeded abroad have been organised from above. They have all risen from below, built up by local associations which, in submission to the advice pressed upon them by Signor Luzzatti, have studied to keep themselves independent of outside influence, self-contained, yet firmly connected among themselves by a bond of union—'*independenti semper, isolati mai.*' Nowhere, moreover, has this work been 'good fairy' work. Every shilling's worth of success has been purchased by unremitting application, by economy, gratuitous labour (so far as gratuitous labour was possible), zeal and caution. And experience has shown that it is not otherwise to be obtained. There may be hindrances, and progress may at first appear slow. But among ourselves the work is likely to succeed, as it has succeeded abroad, under the principle of that apt motto chosen as a watchword for the movement by one of its best leaders, M. Léon d'Andrimont: '*Vouloir—voilà le grand mot de la coopération, sa raison d'être, la garantie de son succès.*'

Harvey. 10407.

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